BUDGET 2007
MANAGING OUR GROWTH

Fiscal Plan

Alberta

2008-04706/

MANAGING OUR GROWTH

PRESENTED BY
LYLE OBERG
MINISTER OF FINANCE
in the Legislative Assembly of Alberta
April 19, 2007

Alberta

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HIGHLIGHTS

BUDGET2007
MANAGING OUR GROWTH

Managing Our Growth - *Budget 2007* Highlights

Budget 2007 is based on the government's five priorities: Govern with integrity and transparency. Manage growth pressures. Improve Albertans' quality of life. Build a stronger Alberta. Provide safe and secure communities.

MAJOR FISCAL ASSUMPTIONS

- Alberta experienced extraordinary growth in 2006. The economy grew by 6.9%, the best performance since 1993. Employment growth was at its highest level in 25 years and the unemployment rate was at its lowest level in 30 years.
- In 2007, economic growth is forecast to moderate to 3.8% and, over the following three years, to average 3.5%.
- In 2007-08, oil prices are expected to decline, but natural gas prices to increase. This is in line with expectations of private sector forecasters.

Fiscal Year Assumptions	2006-07	2007-08	2008-09	2009-10
Oil Price (WTI US$/bbl)	64.97	58.00	54.25	52.50
Bitumen Price (Cdn$/bbl)	36.53	28.29	26.93	26.42
Natural Gas Price (Cdn$/GJ)	5.95	6.75	6.50	6.25
Exchange rate (US¢/Cdn$)	87.9	86.0	86.9	87.0

FISCAL SUMMARY

- **Revenue** is estimated at $35.3 billion in 2007-08, down 4.7% from 2006-07. This reflects lower resource revenue and the expectation that income tax revenue and investment income will not be as high as they were in 2006-07.
- **Expense** is estimated at $33.1 billion in 2007-08. This includes an increase of 10%, or $2.4 billion, in operating expense and an increase of 37%, or $1.3 billion, in capital grants. These increases will help address the pressures caused by Alberta's rapid growth in 2006.
- **Surplus** is estimated at $2.2 billion in 2007-08. The 2007-08 surplus is being used primarily for inflation-proofing the Heritage Fund, an allocation to the Medical Research Endowment Fund and to meet capital cash requirements.

Fiscal Summary (millions of dollars)	2006-07 Forecast	2007-08 Estimate	2008-09 Target	2009-10 Target
Revenue	37,059	35,332	35,170	34,707
Expense				
Operating expense	24,577	27,023	28,147	29,317
Capital grants	3,452	4,739	4,435	3,239
Other expense	1,642	1,387	1,201	1,226
Total Expense	29,671	33,149	33,783	33,782
Net Revenue (surplus)	**7,388**	**2,183**	**1,387**	**925**

IN-YEAR SURPLUS ALLOCATION POLICY

- If the surplus is higher than estimated in the budget, the additional cash available will be allocated one-third to savings/investments and two-thirds to capital requirements.
- At least 50% of the capital allocation will be used to address capital maintenance and replacement requirements.

SOUND FISCAL MANAGEMENT

- A review of Alberta's energy royalty and tax systems is being undertaken by an independent panel of experts.
- A Financial Investment and Planning Commission will be established to examine longer-term investment/savings strategies.
- The new Treasury Board Ministry has been tasked with ensuring more disciplined government spending. Program reviews will be undertaken. Capital and operating planning processes will be better integrated.

2007-08 SPENDING INITIATIVES

- **Operating spending** is increasing by 10% or $2.4 billion in 2007-08. This will help address pressures caused by a 3% increase in population and a 3.9% inflation rate in 2006.
- **Health and Wellness** operating spending is increasing by 10.1% to $10.8 billion. In addition, capital grants to health authorities are increasing by 37% to $1.1 billion. Alberta's per capita spending on health is higher than any other province.
- **Advanced Education and Technology** operating spending is increasing by 10.1% to $2.3 billion. In addition, capital grants are increasing by 88% to $743 million.
- **Education** operating spending is increasing by 5.5%. As enrolment growth is forecast at only 0.5%, there will be some flexibility in how education pressures are addressed.
- **Other Ministries** operating spending is increasing by 12.5% to $8.7 billion. This provides additional support for programs such as justice and law enforcement, Assured Income for the Severely Handicapped (AISH) , children's services, and the environment.

2007-10 CAPITAL PLAN

- The 2007-10 Capital Plan will directly support $18.2 billion in capital projects. This is an increase of 37%, or $4.9 billion, from the 2006-09 Capital Plan. This includes:
  - $5.9 billion for health, post-secondary and school capital projects, an increase of 21%.
  - $4.6 billion for the provincial highway network, an increase of 27%.
  - $4.3 billion for municipal infrastructure, an increase of 36%.
  - $3.5 billion for other projects, including community facilities, housing, and water and wastewater infrastructure, an increase of 105%.
- The 2007-10 Capital Plan includes the phase-in of the Municipal Sustainability Initiative. By 2010-11, this initiative will provide $1.4 billion in annual support to help municipalities meet their growth and sustainability needs. Almost all of this support is for capital.

TAX INITIATIVES

- Albertans pay, by far, the lowest overall taxes in Canada. 2007 income tax changes will save Albertans nearly $200 million annually and businesses about $22 million in 2007. Changes will include:
  - Charitable Donations Tax Credit, which will be increased by more than 60%.
  - Education Tax Credit, which will be increased by 26%.
  - Personal tax credit amounts, which increase by 3.6% as part of the annual indexation of the income tax system.
  - Alberta is also paralleling some of the income tax changes contained in the federal budget.
- Education property tax mill rates are being reduced by 5.8%. This is the 14th consecutive year of reducing or freezing education property tax mill rates.
- Tobacco taxes are being increased by 16% in an effort to reduce smoking.

Accountability Statement

The government's Fiscal Plan for the three years commencing April 1, 2007 was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as of March 30, 2007 with material economic or fiscal implications have been considered in preparing the three-year Fiscal Plan.

The government is committed to achieving the planned results laid out in the Fiscal Plan, which includes the government's Business Plan and Capital Plan.

Lyle Oberg
Minister of Finance
April 5, 2007

2007-10 FISCAL PLAN

BUDGET2007
MANAGING OUR GROWTH

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Managing Our Growth

Extraordinary growth in 2006. However, there is a price to this prosperity.

Over the last year, Alberta experienced extraordinary growth.

The economy grew by 6.9% in 2006, the best performance since 1993. More than 57,000 people moved to Alberta from other provinces, the highest level on record, and contributing to an overall population growth of nearly 100,000. Employment rose 4.8%, the highest growth rate in 25 years. The province's annual unemployment rate was 3.4%, the lowest recorded in Alberta or any other province for the past 30 years. Alberta was essentially at full employment.

There is a price to this prosperity. Costs are higher, particularly in the construction sector. There are concerns over workforce shortages. The ability of governments and other organizations to deliver services is being strained by an increased population and increased costs.

Budget 2007 addresses growth pressures and improves services.

Budget 2007 aggressively addresses these growth pressures.

Actions are also being taken to improve Alberta's future. The province's fiscal and economic strengths provide a unique opportunity to improve the quality of life of Albertans, and the government will take advantage of this opportunity.

However, actions must be realistic. Initiatives cannot exceed what is affordable and sustainable. The government remains committed to a fiscally-responsible plan of action.

BUDGET INITIATIVES

Budget 2007 follows through on the government's five priorities.

Budget 2007 is based on the five priorities the government has set out to guide its actions:

- Govern with integrity and transparency.
- Manage growth pressures.
- Improve Albertans' quality of life.
- Build a stronger Alberta.
- Provide safe and secure communities.

The following initiatives in *Budget 2007* address the government's main priorities:

New Municipal Sustainability Initiative.

Municipal Support and Housing Programs

- A new Municipal Sustainability Initiative, once fully implemented, will provide $1.4 billion a year for addressing growth pressures.
- The new Municipal Sustainability Initiative includes $100 million in 2007-08 for municipal housing programs. With this support, total funding for housing programs is increasing by 36% in 2007-08.

$18.2 billion three-year Capital Plan.

Infrastructure Requirements Are Addressed

- The 2007-10 Capital Plan will reach $18.2 billion. This is an increase of 37% from the 2006-09 Capital Plan in last year's budget.
- Alberta's per capita spending on infrastructure is close to four times higher than the average of other provinces.

10% increase in operating spending in 2007-08 to address growth pressures.

Services for Albertans Are Improved

- Operating spending is increasing by 10% in 2007-08. This addresses the pressures raised by a 3% increase in population and 3.9% inflation.
- Health and Wellness operating spending is increasing by 10.1%. In addition, spending on health capital is increasing by 37%. Alberta's per capita health spending is the highest of any province.
- Advanced Education and Technology operating spending is increasing by 10.1%. In addition, capital support increases by 88%.
- Education operating spending is increasing by 5.5%. As enrolment growth is forecast at only 0.5%, there will be some flexibility to address other education pressures.

Selective tax changes.
Tax credits are increased.
Increase in tobacco taxes.

Selective Tax Changes

- 2007 income tax changes will save Albertans nearly $200 million annually and save businesses about $22 million. This includes increases to the Charitable Donations Tax Credit, Education Tax Credit, and the annual indexation of the income tax system. Alberta will also parallel some of the income tax changes announced in the federal budget.
- Education property tax mill rates are being reduced by 5.8%.
- Tobacco taxes are increased by 16% in an effort to reduce smoking.

New in-year surplus allocation policy.

In-Year Surplus Allocation Policy

- If the surplus is higher than estimated in the budget, the additional cash available will be allocated one-third to savings/investments and two-thirds to capital requirements.
- At least 50% of the capital allocation will be used to address capital maintenance and replacement requirements.

Reviews related to energy royalties and investments.

Sound Fiscal Management

- A review of the oil and gas royalty and tax systems is being undertaken by an independent panel.
- A Financial Investment and Planning Commission will be established to examine longer-term investment/savings strategies.
- Program reviews are to be undertaken. Tight limits on in-year operating spending.

FISCAL OVERVIEW

Surplus in 2007-08 is estimated at $2.2 billion.

Budget 2007 will be Alberta's 14th consecutive balanced budget. A surplus is forecast in each of the next three years: $2.2 billion in 2007-08, $1.4 billion in 2008-09 and $925 million in 2009-10.

Fiscal Summary

(millions of dollars)

	2005-06 Actual	2006-07 Forecast	2007-08 Estimate	2008-09 Target	2009-10 Target
Revenue	35,542	37,059	35,332	35,170	34,707
Expense	26,991	29,671	33,149	33,783	33,782
Surplus	**8,551**	**7,388**	**2,183**	**1,387**	**925**

Surpluses are forecast to be smaller than they have been in recent years because of higher spending and lower revenue. Over the next three years, spending is forecast to increase by 13.9%, while revenue is expected to decline by 6.3%.

MAJOR REVENUE ASSUMPTIONS

Energy revenue, income tax revenue and investment income represent about two-thirds of the province's total revenue. The outlook for these revenue sources is strongly affected by global events, energy prices and economic growth.

In 2006-07, revenue from all three sources was strong, reflecting continuing high oil prices and exceptional economic growth. Over the next three years, growth is forecast to moderate and oil prices to decline. As a result, total revenue is forecast to decline.

Income tax revenue and investment income are not expected to repeat last year's exceptional performance.

Major Revenue and Energy Price Assumptions

(billions of dollars)

	2005-06 Actual	2006-07 Forecast	2007-08 Estimate	2008-09 Target	2009-10 Target
Non-Renewable Resource Revenue	14.3	11.7	10.3	9.3	7.8
Income Tax Revenue [a]	8.9	11.1	10.4	10.9	11.4
Investment Income	2.3	3.1	2.5	2.5	2.6
Other Revenue	11.4	11.2	12.1	12.5	12.9
Oil price ($US/barrel)	59.97	64.97	58.00	54.25	52.50
Natural gas price ($Cdn/GJ)	8.29	5.95	6.75	6.50	6.25

[a] In 2005-06, does not include the $1.3 billion reduction in income tax revenue due to the Alberta 2005 Resource Rebate.

Energy Revenue. The budget is based on energy revenue continuing to decline from its 2005-06 peak. This decline reflects not only energy prices, but also lower production, lower revenue from sales of leases, increased costs of production and processing, and an increased share of oil royalties paid on bitumen rather than on conventional/synthetic crude oil.

Income Tax Revenue. Income tax revenue reached a record level in 2006-07, about 25% higher than in 2005-06 (excluding the deduction in personal income tax revenue for the Alberta 2005 Resource Rebate). This reflected strong growth in both nominal GDP and personal income, and an unusually high level of corporate profits in 2006. Over the next three years, it is expected that growth rates will moderate and corporate profits will trend down. These factors will limit the growth in income tax revenue.

Investment Income. In 2006, investments of the Heritage Fund and endowments benefited from strong equity markets, which resulted in returns of nearly 15% on their market values. Over the next three years, it is expected that returns will be closer to 8%.

SURPLUSES

2007-08 Surplus Allocation
($ million)

Heritage Fund inflation-proofing	284
Medical Research Endowment	150
Contingency Allowance	314
Capital cash requirements	1,153
Other adjustments	282
Surplus	**2,183**

Over the last two years, strong energy prices and economic growth have resulted in exceptionally large surpluses of $8.6 billion in 2005-06 and $7.4 billion in 2006-07. This $16 billion in surpluses allowed the government to direct more resources to current and future capital requirements and increased savings/investments.

Surpluses are forecast to be significantly smaller, totalling $4.5 billion, over the next three years. These surpluses will be used primarily for inflation-proofing the Heritage Fund and addressing capital cash requirements.

Savings. Over the last two years, about one-third of the surpluses, or a total of $5.1 billion, has been allocated to the Heritage Fund, the advanced education endowment, the Cancer Prevention Legacy Fund and other endowments and funds.

In 2007-08, it is estimated that $284 million will be added to the Heritage Fund for inflation-proofing and $150 million will be deposited in the Medical Research Endowment Fund, as previously planned.

The Financial Investment and Planning Commission will review the province's savings/investment strategies.

Capital Account. Over the last two years, about one-third of the surpluses, or $5.4 billion, was added to the Capital Account to help pay for approved future-year commitments. These assets will be drawn down by $3.6 billion over the next three years to pay for capital projects. Partly offsetting this draw-down is a $1 billion deposit in 2007-08 to address cost escalation pressures. This funding has not yet been allocated to specific projects.

Sustainability Fund. Over the last two years, $4.2 billion has been added to the Sustainability Fund. This brought the Fund's assets to $7.7 billion as of March 31, 2007. The Fund is forecast to remain at this level for the next three years. This is $5.2 billion higher than the $2.5 billion minimum amount set out by legislation, and in part reflects the higher risk associated with current energy prices.

Other Requirements. The surpluses over the last two years have also been used for capital cash requirements (primarily the difference between capital investment and amortization). In 2007-08, close to $1.2 billion is required for this purpose. Part of the surplus is also retained by funds and agencies (primarily ATB and Alberta Financial Services Corporation). Cash adjustments also affect the amount of cash available for allocation.

In-year increases to the surplus will be allocated one-third to savings/ investments. The remaining two-thirds will go to capital, with at least 50% for capital maintenance.

IN-YEAR SURPLUS ALLOCATION POLICY

While the energy price forecast used in *Budget 2007* is close to the average of other forecasting organizations, there is a wide range of views on energy prices. If energy prices are closer to the views of the more aggressive forecasters, the surplus could be significantly higher than estimated.

If the 2007-08 surplus is higher than estimated in the budget, the government plans to allocate the additional cash available one-third to savings/investments and two-thirds to capital. Of the capital portion, at least 50% must be used for capital maintenance.

This capital allocation split will balance the need for ongoing maintenance and rehabilitation of existing capital assets with the need to invest in various types of new infrastructure to accommodate and support growth. The increased capital funding could be provided in-year or added to the Capital Account for future-year capital costs of the projects identified.

IN-YEAR SURPLUS ALLOCATION POLICY

Approach

- The policy addresses the allocation of **in-year increases** to the available cash surplus originally forecast in the budget.
- Surpluses forecast in budget are not subject to the allocation guidelines. Their use is set as part of the annual budget process.
- Allocation guidelines will be reviewed each year and changed, if required, to reflect new developments and priorities.

2007-08 Allocation Guidelines

- The in-year increase in the available cash surplus will be allocated one-third to savings/investments, and two-thirds to capital maintenance and infrastructure requirements.
- **Savings/Investments.** Potential allocations include the Heritage Fund, endowments and other savings/investment vehicles. In-year changes to the forecast amount required for inflation-proofing the Heritage Fund (set out in the budget) and retained income of endowments will not be considered as part of this one-third allocation.
- **Capital Maintenance.** Of the two-thirds allocated to capital, at least 50% must be used to address capital maintenance and replacement requirements. This includes additional funding for provincial highway rehabilitation, infrastructure maintenance renewal programs for schools, post-secondary institutions and health facilities, and capital modernization programs.
- **Infrastructure Requirements.** Allocations will be used to build the infrastructure Alberta requires for the 21st century. Projects funded will be based on the government's long-term strategic Capital Plan.

FISCAL FRAMEWORK

No changes to the *Fiscal Responsibility Act* are included in *Budget 2007*. Budgets must continue to be affordable and sustainable over the short and long term. The government also plans to strictly control in-year increases in operating spending.

No change to the $5.3 billion limit on the use of resource revenue for budget purposes.

There will continue to be a $5.3 billion limit on the use of non-renewable resource revenue for budget purposes. In addition, as permitted by the *Fiscal Responsibility Act*, an average of over $2 billion a year in non-renewable resource revenue will be allocated to the Capital Account to fund capital projects in each of the next three years.

Other elements of the fiscal framework also continue unchanged:

- Deficits remain against the law. However, funding from the Capital Account and the Sustainability Fund can be used to offset certain expenses.
- The Capital Account can be used to carry forward surplus revenue from one year to another to pay for capital projects. It can also be used to increase spending on capital through allocations from resource revenue.
- The Sustainability Fund can be used to offset the cost of emergencies, disasters, natural gas rebates and settlements with First Nations, and unexpected declines in budget revenue.
- A minimum of 1% of revenue for fiscal policy purposes must be set aside as a Contingency Allowance in each fiscal year.
- Borrowing for capital purposes is allowed, as is borrowing required by self-supporting corporations.

Managing Growth and Investing in Alberta's Future

Budget 2007 deals with a range of challenges. In particular, it must balance the pressures from rapid growth with unpredictable revenue, and also balance rising expectations with what is affordable and sustainable.

Significant increases are being provided to operating and capital budgets in 2007-08 to address growth pressures and to build a stronger Alberta.

Also, reviews of two of the government's main revenue sources – energy and investments – will be carried out.

SPENDING

Addressing growth pressures is a major focus of this year's budget. In 2006, the rate of increase in population plus inflation was nearly 7%. This caused pressures on the delivery of programs and services. To address this situation, 2007-08 operating expense is being increased by 10%. This increase also allows the government to move forward on a number of other issues important to Albertans, such as the environment, policing and children's services.

Operating spending is being increased by 10% to deal with growth pressures and to improve services for Albertans.

A major increase is also being provided for capital spending (capital grants and capital investment). Support for municipal infrastructure, schools, health facilities, post-secondary institutions, housing, water infrastructure and community facilities is being increased.

The 2007-08 spending plan also includes $477 million in natural gas rebates and $50 million in emergency assistance to address mountain pine beetle infestations (in addition to the $5 million base budget).

In 2007-08, nearly $33 billion is being spent on Alberta's program priorities, which is equivalent to about $9,500 per Albertan.

Expense
(millions of dollars)

	2006-07 Forecast	2007-08 Estimate	2008-09 Target	2009-10 Target	3-year Change
Operating expense	**24,577**	**27,023**	**28,147**	**29,317**	**4,740**
Capital grants [a]	3,452	4,739	4,435	3,239	(213)
Emergencies/disasters	513	50	–	–	(513)
Natural gas rebates	363	477	290	290	(73)
Amortization [b]	545	625	676	721	176
Total program expense	**29,450**	**32,914**	**33,548**	**33,567**	**4,117**
Debt servicing costs	221	235	235	215	(6)
Total Expense	**29,671**	**33,149**	**33,783**	**33,782**	**4,111**
Percentage increase [c]					
Operating expense		10.0	4.2	4.2	19.3
Total expense		11.7	1.9	0.0	13.9
Capital Investment [d]	1,374	1,964	2,095	1,773	399

[a] Includes capital grants to local authorities, project planning and highway rehabilitation costs. Does not include capital investment in government-owned capital assets.

b Includes amortization, consumption of inventories and nominal sum disposals.

c 2007-08 percentage increase is from 2006-07 forecast.

d Capital investment in government-owned projects is not reported in expense. Capital Plan equals capital investment plus capital grants.

OPERATING EXPENSE BUDGET

In 2007-08, the Alberta government will spend $27 billion on programs and services, an increase of 10%, or $2.4 billion. Operating increases for the following two years are forecast at 4.2% per year.

In 2007-08, a 10.1% increase is provided for the Ministry of Health and Wellness. Similar increases are provided for the Ministries of Advanced Education and Technology, and Seniors and Community Supports. The increase for the Ministry of Education is 5.5%. These four ministries account for nearly three-quarters of total government operating spending. Other ministries are receiving average operating increases of 13% in 2007-08.

Health accounts for 40% of Alberta's operating budget.

2007-08 Operating Expense[a]

	2007-08 Estimate		2007-08 Increase	
	$ millions	% of total	$ millions	%
Health and Wellness	10,845	40.1	996	10.1
Education	5,110	18.9	266	5.5
Advanced Education and Technology	2,341	8.7	214	10.1
Seniors and Community Supports	1,733	6.4	167	10.7
Other ministries	6,994	25.9	803	13.0
Total Operating Expense	**27,023**	**100.0**	**2,446**	**10.0**

[a] Operating expense does not include capital grants, capital investment, emergency/disaster assistance, natural gas rebates, amortization, consumption of inventories and nominal sum disposals.

While the operating increase is affordable in 2007-08, this rate of increase is not sustainable. Operating spending increases must move to a rate closer to the medium-term growth in the economy, about 4% a year. Even with relatively strong energy prices and economic growth forecast, continuing to increase operating spending by 10% a year would result in deficits.

Program reviews will be conducted in 2007-08.

In 2007-08, the government will take steps to ensure spending increases are at a sustainable level. The new Treasury Board Ministry has been tasked with ensuring more disciplined government spending. Program reviews will be carried out to identify efficiencies. In addition, the Ministry will take actions to better integrate the capital and operating planning processes and mitigate capital cost escalation.

2007-08 Operating Expense[a]

(millions of dollars)

	2007-08 Estimate	Change from 2006-07 Forecast $	%	Main Reasons for Change
Legislative Assembly	92	21	29.6	Elector registration, potential election costs
Advanced Education and Technology	2,341	214	10.1	Post-secondary grants, student assistance
Agriculture and Food	984	258	35.5	Lower-than-average 2006-07 crop indemnities
Children's Services	969	66	7.3	Child intervention services, child care, foster care
Education	5,110	266	5.5	Support to public and separate schools
Employment, Immigration and Industry	842	(36)	(4.1)	$100 million for Rural Development Fund in 2006-07
Energy	282	71	33.6	Biofuels, Energy Innovation initiatives, EUB
Environment	142	15	11.8	Oilsands environment management, *Water for Life*
Executive Council	23	1	4.5	Board governance review
Finance	633	4	0.6	One-time pension payment in 2006-07
Health and Wellness	10,845	996	10.1	Health authorities, physician services, drug costs
Infrastructure and Transportation	760	114	17.6	Government operations, highway maintenance
International, Intergovernmental and Aboriginal Relations	68	(2)	(2.9)	Métis settlements funding
Justice	374	25	7.2	Courts, ticket processing, legal services
Municipal Affairs and Housing	337	68	25.3	Municipal grants
Seniors and Community Supports	1,733	167	10.7	AISH, Alberta Seniors Benefit, PDD
Service Alberta	239	3	1.3	Registry services, land titles volume
Solicitor General and Public Security	506	49	10.7	Provincial policing, public security, corrections
Sustainable Resource Development	287	64	28.7	Wildfire base budget increase
Tourism, Parks, Recreation and Culture	437	72	19.7	First Nations Development Fund, tourism
Treasury Board	19	10	111.1	New responsibilities
Total Operating Expense	**27,023**	**2,446**	**10.0**	

[a] Excludes capital grants, disaster/emergency assistance, natural gas rebates, amortization, consumption of inventories and nominal sum disposals.

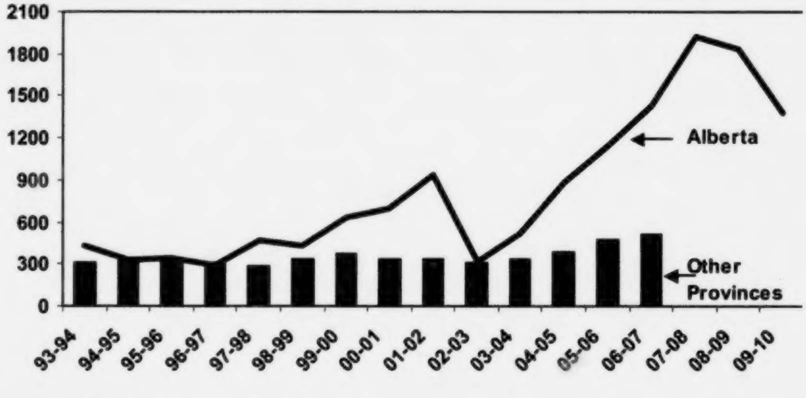
CAPITAL BUDGET

The three-year Capital Plan totals $18.2 billion, an increase of 37% from the previous plan.

The three-year 2007-10 Capital Plan will directly support $18.2 billion in capital projects. This is an increase of 37%, or $4.9 billion, from the 2006-09 Capital Plan published in *Budget 2006*.

Alberta's per capita spending on capital is close to four times the average level of other provinces. In 2007-08, Alberta is providing $6.7 billion in capital support or about $1,930 per person. The average spending on infrastructure in other provinces has been about $525 per person.

Interprovincial Comparison of Capital Expenditure
(dollars per capita)



Source: Dominion Bond Rating Service Limited. *The 2006 Canadian Federal and Provincial Governments Overview: Hitting a Peak?* , October 2006, and earlier reports. Alberta data for 2005-10 has been updated by Alberta Finance.

2007-10 Capital Plan

2007-08	*$6.7 billion*
2008-09	*$6.5 billion*
2009-10	*$5.0 billion*
Total	***$18.2 billion***

Cost Escalation. About $1.3 billion of the three-year $4.9 billion increase is required to address cost escalation on approved projects. It is expected there may be further cost escalation on currently-announced projects. Strategies to mitigate the effects of inflation on these projects will be examined. $1 billion has been set aside in the Capital Account to address areas where mitigation strategies cannot fully offset the cost escalation pressures. This funding has not been allocated to individual projects and is not at present included within the $18.2 billion three-year Capital Plan.

In *Budget 2007*, major increases in capital support are provided in most areas:

Health, schools and post-secondary facilities will receive $5.9 billion over the next three years.

- **Health, Schools and Post-Secondary Facilities.** The three-year commitment is being increased by $1 billion, or 21.4%, to $5.9 billion. About half of this increase, $571 million, reflects cost escalation on approved projects. It also includes funding for health facilities in Grande Prairie and the Northern Lights Health Region, new school projects and expansion and upgrading of post-secondary facilities. Capital support for health, schools and post-secondary facilities has increased by four and one-half times over the last four years, from about $550 million in 2003-04 to nearly $2.5 billion in 2007-08.

$4.6 billion to improve the provincial highway network over the next three years.

- **Provincial Highway Network.** The three-year commitment is being increased by nearly $1 billion, or 26.9%, to $4.6 billion. About half of this increase, $540 million, reflects cost escalation on projects (excludes the P3 portions of the ring roads in Edmonton and Calgary, which have fixed construction costs).

  The $4.6 billion will provide for continued construction of strategic economic corridors, such as ring roads in Edmonton and Calgary, improvements to Highway 63 to Fort McMurray, and funding for resource roads in other areas of the province. Capital support for the provincial highway network has increased three-fold over the last four years, from about $450 million in 2003-04 to nearly $1.4 billion in 2007-08.

Municipal infrastructure support has increased more than six-fold over the last four years.

- **Municipal Infrastructure Support.** The three-year commitment is being increased by $1.1 billion, or 36.3%, to $4.3 billion. This includes the phase-in of the new Municipal Sustainability Initiative. Annual support under this new program will reach $1.4 billion in 2010-11. Infrastructure support for municipalities has increased more than six-fold over the last four years, from about $230 million in 2003-04 to over $1.4 billion in 2007-08. In addition, municipalities receive capital support for housing and water-related projects (included under 'Other Capital' below).
- **Other Capital.** The three-year commitment is being increased by $1.8 billion, or 104.7%, to $3.5 billion. Of this amount, $156 million is for cost escalation on approved projects. The funding for other capital includes:

$280 million for a new two-year capital grant program for communities.

  - Community Facilities - $443 million increase to $819 million. This includes $280 million for a new two-year capital grant program to construct, maintain and upgrade community public-use facilities used for sport, recreation, culture and wellness.
  - Water and Wastewater Projects - $402 million increase to $679 million. This is mostly for municipal and regional water and wastewater projects.
  - Other Projects - $927 million increase to $2 billion. This includes funding for the Edmonton Remand Centre, housing, a province-wide police strategic information technology system, and other government facilities and information technology system requirements.

Comparison of 2006-09 and 2007-10 Capital Plans

(millions of dollars)

	2006-09 *Budget 2006*	**2007-10** *Budget 2007*	**Change**
Health, schools, post-secondary facilities	4,865	5,904	1,039
Provincial highway network	3,637	4,614	977
Municipal infrastructure support	3,127	4,262	1,135
Other capital support	1,693	3,465	1,772
Total [a]	**13,322**	**18,245**	**4,923**

[a] 2007-10 Capital Plan does not include $1 billion that has been set aside in the Capital Account to address cost escalation on approved projects. This funding is expected to be required over the next three to four years and will be added to the Capital Plan as decisions are made on how to address costs.

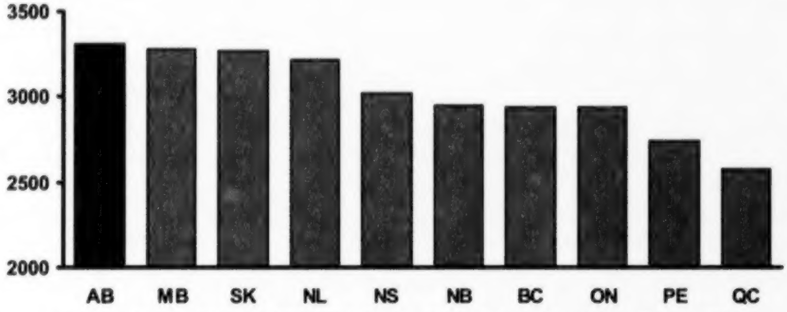
HEALTH AND WELLNESS

Alberta's per capita health funding is the highest among provinces. In 2007-08, program expense of the Ministry of Health and Wellness is budgeted to increase by a further 12.2%, or $1.3 billion, reaching $12 billion.

Alberta spends more per capita on health than any other province.

Comparison of Provincial Government Health Expenditures, 2006-07

(dollars per capita)



Source: Canadian Institute for Health Information (CIHI) – National Health Expenditure Trends, 1975-2006. Note: Definition of health expenditure includes health-related components of various income support programs not included in the health expense function in *Budget 2007*. Statistics Canada's Financial Management System, which uses a narrower definition than CIHI, calculates Alberta's per capita health spending as the highest among provinces in 2006-07.

Ministry of Health and Wellness operating spending is increasing by 10.1% in 2007-08.

Operating spending is increasing by 10.1% to $10.8 billion. In addition, $1.1 billion in capital grants are being provided to health authorities, an increase of 36.8%. $74 million is also provided for government-owned capital, primarily health information systems and vaccines.

Operating spending is forecast to increase by an average of about 6% per year in the following two years.

Health Authority Operating Grants. Over 60% of the Ministry's operating spending is for operating grants to regional health authorities, the Alberta Cancer Board and the Alberta Mental Health Board. The health authorities deliver essential health care services, including management of hospitals, continuing care, community and public health, home care, mental health and cancer services. They are facing increased pressures from population growth and aging, and drug, technology and labour costs.

Operating grants to health authorities will increase by 9.5% in 2007-08, to $6.6 billion, with all health authorities receiving a minimum increase of 6%. The Northern Lights Health Region is receiving additional funding for unique service pressures associated with this high growth area.

Physician Services. Over 20% of the Ministry's operating budget is for physician services. In 2007-08, the budget for physician services will increase to $2.4 billion. This increase reflects the tentative two-year agreement between the government, the Alberta Medical Association and regional health authorities, which provides for increased fee-for-service payments and initiatives related to physician recruitment and retention.

Physician compensation is increasing due to higher patient volumes and a 4.5% increase to fee-for-service rates. Support is also increasing for innovative service-delivery initiatives such as alternative payment mechanisms, primary care and on-call programs.

Non-Group Health Benefits. Supplementary health insurance is available to all Albertans. Seniors pay no premiums for this coverage and low-income subscribers pay reduced premiums. In 2007-08, these costs are estimated at $732 million, an increase of 9.6%, largely due to higher costs of drug benefits. Costs for this program are expected to grow by an average of 12.8% per year over the following two years.

Other Health Services. In 2007-08, $1.1 billion is being provided for a variety of other health services ranging from public health laboratories, vaccination programs and tissue and blood services, to air and ground ambulance and allied health services.

$3 billion for health capital support over the next three years.

Health Capital

Over the next three years, $3 billion in capital support is being provided for health facilities and equipment, information systems, and vaccines and pandemic supplies. This includes:

- $2.45 billion for new facilities and equipment, renovation and expansion of existing facilities, and cost escalation on projects.
- $272 million for health information systems.
- $192 million for infrastructure maintenance.
- $95 million for vaccines.
- $30 million for pandemic-related supplies.

Ministry of Health and Wellness

(millions of dollars)

	2006-07 Forecast	2007-08 Estimate	2008-09 Target	2009-10 Target
Operating Expense				
Health authority operating grants	6,010	6,584	6,878	7,158
Physician services	2,068	2,431	2,478	2,525
Non-group health benefits	668	732	817	932
Other health services	1,103	1,098	1,302	1,563
Total Operating Expense	**9,849**	**10,845**	**11,475**	**12,178**
Capital Grants	838	1,146	1,078	622
Amortization[a]	47	54	60	64
Total Program Expense	**10,734**	**12,045**	**12,613**	**12,864**
Operating expense increase (%)		10.1	5.8	6.1
Program expense increase (%)		12.2	4.7	2.0
Capital Investment	62	74	62	62

[a] Includes consumption of inventories (vaccines).

EDUCATION

In 2007-08, provincial support for the basic education system will reach $5.6 billion. This includes $5.1 billion in operating expense and $508 million in capital grants.

Education operating expense is increasing by 5.5% in 2007-08. Enrolment is projected to increase by only 0.5%.

Operating expense for the Ministry will increase by $266 million, or 5.5%, to $5.1 billion in 2007-08. Over the following two years, operating expense is forecast to increase by an average of 4% per year, to over $5.5 billion. While Alberta's population has been growing at about 3% a year, student enrolment in the basic education system is expected to increase by only 0.5% in 2007-08.

In 2007-08, $508 million in capital support for school construction will be provided. Over the next three years, capital support for schools will total almost $1.3 billion.

Support to School Boards

Operating support to school boards, including property tax support to separate school boards, will increase by $217 million, or 5.5%, to $4.2 billion in 2007-08. Over the next two years, this support will increase by a further $351 million, an average of 4.1% per year, reaching almost $4.6 billion by 2009-10.

The increase supports higher operational grants and other initiatives, including:

- Grants - A 3% increase to all existing operational grants beginning September 2007.
- Renewed Funding Framework - Increased support to accommodate a general enrolment increase across Alberta of 0.5% in 2007-08.
- Small Class Size Initiative - A 21.7% increase bringing total support to $195 million in 2007-08. Schools will be able to retain the 2,500 new teachers already hired under this initiative and maintain the reduced class sizes achieved in the past three years.
- Professional Development - An additional $9 million is being provided for enhancing teachers' skills and abilities and implementation of new curricula.
- Student Health Initiative - Support for school-aged children with special health needs is being increased by 6%, to $44 million.
- Alberta Initiative for School Improvement - Funding is increasing by 3%, to $73 million, to support innovative and creative school improvement projects developed at the school board and school level.

Other Programs and Services

- Teachers' Pensions - An increase of 5.4%, to $357 million in 2007-08. This includes $200 million for current service payments and $157 million in contributions toward unfunded pension liabilities.
- Accredited Private Schools - An increase of 6.5%, to $144 million in 2007-08, reflecting higher grant rates and a greater number of special needs students, particularly in early childhood services. Funding is anticipated to grow by an average of 4.7% per year in the following two years, to $158 million.

- High School Completion - A provincial strategy to increase high school completion rates is being developed, based on the feedback and information gathered during last year's cross-province roundtables and symposium. Initiatives planned for 2007-08 include higher funding for English as a Second Language programs, video-conferencing and other technologies aimed at improving access to learning opportunities.
- Early Learning Opportunities - Beginning with the 2007-08 school year, an additional $7 million in the Early Childhood Services program will provide children as young as 3½ with English as a Second Language programming.

Nearly $1.3 billion will be provided for school operations and maintenance over the next three years.

School Facilities Operations and Maintenance

Almost $1.3 billion will be provided over the next three years for general operations and maintenance of schools. This includes $417 million in 2007-08, an increase of 3.2%. Funding will increase by an average of 3% per year over the next two years, reaching $442 million in 2009-10.

$1.3 billion for school capital projects over the next three years.

School Capital

Capital support for schools over the three years will total nearly $1.3 billion, an increase of $445 million, or 53% from the 2006-09 Capital Plan. The 2007-10 Capital Plan includes funding for 71 new or major modernization school projects, including 12 schools to be opened in 2007-08. Included in the 2007-10 capital funding is $300 million that has not yet been allocated to individual school projects. The government will examine alternative procurement methods to deliver school infrastructure.

In 2007-08, $508 million is being provided in capital support, including $96 million for Infrastructure Maintenance and Renewal projects, $289 million for previously announced school projects, $23 million for cost escalation and $100 million for other school construction.

Ministry of Education

(millions of dollars)

	2006-07 Forecast	2007-08 Estimate	2008-09 Target	2009-10 Target
Operating Expense				
Operating support to school boards	3,981	4,198	4,369	4,549
Less: Property tax support to opted-out boards	(169)	(178)	(186)	(194)
School facilities operation and maintenance	404	417	429	442
Teachers' pensions	339	357	372	386
Accredited private schools	136	144	152	158
Other initiatives/program support	153	172	176	180
Total Operating Expense	**4,844**	**5,110**	**5,312**	**5,521**
Capital grants	578	508	494	276
Amortization	2	1	1	1
Total Program Expense	**5,424**	**5,619**	**5,807**	**5,798**
Operating expense increase (%)		5.5	4.0	3.9
Program expense increase (%)		3.6	3.3	(0.2)

ADVANCED EDUCATION AND TECHNOLOGY

In 2007-08, the Ministry of Advanced Education and Technology is receiving $3.1 billion for operating and capital programs. This is an increase of 22.2%, or $562 million. With this increase, support for advanced education and technology programs will have increased by 53%, or $1.1 billion, since 2005-06.

Operating support for the Ministry of Advanced Education and Technology will increase by 10.1% in 2007-08.

In 2007-08, spending includes $2.3 billion in operating support, an increase of $214 million or 10.1%, and $743 million in capital grants, an increase of $347 million, or 88%. Operating support is forecast to grow by about 4% per year over the following two years, to over $2.5 billion by 2009-10.

Support for Adult Learning. Support is increasing by $117 million, or 6.9%, to over $1.8 billion in 2007-08. Over the next two years, funding increases by about 7% per year, reaching $2.1 billion by 2009-10. This includes:

- An increase of $95 million, or 6.9%, in 2007-08 for base operating grants. Further increases of 6% a year are provided in the following two years. This allows institutions to deal with inflationary pressures related to staff salary settlements and facility operating costs.
- $22 million in 2007-08 for public post-secondary institutions to offset the impact on institutions of the government's new policy limiting increases to tuition fees. Over the next three years, this support will total $136 million.
- Funding is also increasing for student spaces. An additional $4 million is provided in 2007-08. By 2009-10, funding for student spaces will reach $244 million, an increase of 15.6% over the next three years.

Access to the Future Fund. In 2007-08, the Fund provides $53 million for innovative projects and matching grants for donations to post-secondary institutions to improve access and quality. The Fund's income is derived from the $1 billion advanced education endowment.

Tuition. Students and apprentices have not seen a tuition increase over the last two years because of the government's tuition rebates. This saved students a total of $130 million over two years. Alberta's new tuition fee policy limits increases to Alberta's rate of inflation effective September 2007. The new policy should save the average two-year diploma student $1,600 and the average four-year undergraduate student more than $3,800 from what they would otherwise have paid.

About 34,000 students will receive scholarships in 2007-08.

Student Assistance. In 2007-08, total funding for student assistance is forecast to increase by 37%, to $206 million. This funding supports:

- $95 million in scholarships, bursaries and grants. About 34,000 students will receive scholarships.
- Nearly $20 million a year in grants to Registered Education Savings Plans for children born in 2005 and later, and students aged 8, 11 and 14.
- Costs of Alberta's student loan and debt relief programs. $116 million in student loans are expected to be disbursed in 2007-08. Recognizing increased costs, there will be an increase in living allowances and loan

limits for students. The Alberta Student Loan Relief Benefit and the Loan Relief Completion Payment reduce the debt of students in their first and final years of study. The budgeted cost for these programs is $71 million in 2007-08. Alberta continues to have the most generous student debt relief programs in Canada.

Research, Innovation and Technology Commercialization. Over the next three years, a total of $559 million will be provided for research, innovation and technology commericalization initiatives focusing on energy, agriculture, forestry, life sciences, information and communications technology, and nanotechnology.

Funding for research, innovation and technology commercialization is increasing by 15.7% in 2007-08.

Funding is increasing by $30 million, or 15.7%, to $221 million in 2007-08. This reflects additional funding to the Alberta Energy Research Institute for research projects and to the Alberta Life Sciences Institute for research on safe drinking water, efficient water use and healthy watersheds.

A Value-Added and Technology Commercialization Task Force has been established to develop recommendations targeted at expanding value-added production and commercialization of new ideas and discoveries in Alberta.

Nearly $1.6 billion in support for post-secondary capital projects.

Post-Secondary Capital

Nearly $1.6 billion in funding for post-secondary capital projects will be supported over the next three years. This is an increase of $461 million over the 2006-09 Capital Plan published in *Budget 2006*. This includes:

- $1.2 billion for expanding and upgrading post-secondary facilities. This includes $300 million that has not yet been allocated to individual post-secondary projects.
- $279 million for cost escalation on previously approved projects.
- $107 million for infrastructure maintenance.

Ministry of Advanced Education and Technology

(millions of dollars)

	2006-07 Forecast	2007-08 Estimate	2008-09 Target	2009-10 Target
Operating Expense				
Support for Adult Learning	1,691	1,808	1,931	2,068
Access to the Future Fund	45	53	47	48
Student assistance	150	206	206	201
Research, Innovation and Technology Commercialization	191	221	180	158
Program delivery/support	50	53	54	54
Total Operating Expense	**2,127**	**2,341**	**2,418**	**2,529**
Capital grants[a]	396	743	606	221
Amortization	7	8	8	8
Total Program Expense	**2,530**	**3,092**	**3,032**	**2,758**
Operating expense increase (%)		10.1	3.3	4.6
Program expense increase (%)		22.2	(1.9)	(9.0)

[a] In addition, $12 million will be provided over the next three years from the Medical Research Endowment Fund for capital support to post-secondary insitutions.

MUNICIPAL SUPPORT AND HOUSING

Assistance to municipalities and support for affordable housing are major commitments in 2007-08. While support for these programs cuts across ministries, the lead role is carried out by the Ministry of Municipal Affairs and Housing, whose spending in 2007-08 doubles to $836 million.

The new Municipal Sustainability Initiative will reach $1.4 billion a year by 2010-11.

Municipal Sustainability Initiative. This new initiative, once fully implemented, will provide $1.4 billion a year to municipalities to help meet their growth and sustainability needs. Funding will be phased-in over four years, beginning with $400 million in 2007-08. The full implementation in 2010-11 follows the planned ending of the $3 billion Alberta Municipal Infrastructure Program (Ministry of Infrastructure and Transportation).

Funding will be directed to infrastructure requirements, including core municipal infrastructure, affordable housing, *Water for Life* projects, and joint planning and construction of capital projects involving multiple municipalities. Funding will be allocated mostly on a per capita basis. The program also includes $50 million a year for addressing operating pressures.

Municipal Sustainability Initiative

(millions of dollars)

	2006-07 Forecast	2007-08 Estimate	2008-09 Target	2009-10 Target	2010-11 Target
Municipal Sustainability Initiative	–	400	500	600	1,400
Municipal Infrastructure Program	600	600	600	600	–
	600	**1,000**	**1,100**	**1,200**	**1,400**

In addition to these programs, municipalities also receive about $900 million in other support.

Other Direct Support for Municipalities. In addition to the Municipal Sustainability Initiative and the Alberta Municipal Infrastructure Program, municipalities also receive approximately $900 million a year in other capital and operating support, from several ministries, for roads, bridges, public transit, water and wastewater, policing, libraries, ambulance, community services and other initiatives.

In 2007-08, funding for housing programs increases by 36%.

Provincial Housing Support. In 2007-08, funding for housing programs, primarily in the Ministry of Municipal Affairs and Housing, is increasing by 36% to $349 million. This includes:

- Affordable Housing - $100 million is being provided under the new Municipal Sustainability Initiative. In addition $45 million has been announced for affordable housing in Fort McMurray. There is also $15 million in federal funding for affordable housing in 2007-08.
- Supportive Living and Other Seniors Housing - The Ministry of Seniors and Community Supports is providing $35 million in 2007-08. This includes $30 million in capital grants for construction of supportive living accommodations for seniors and disabled persons and $5 million primarily for operation of seniors social housing.
- Other Housing Support - $132 million is being provided for programs including off-reserve aboriginal housing; rent supplements for low-income families; homeless shelters and other facilities for transitional and emergency accommodation; operating and maintenance grants for community housing; and land for affordable housing development.

SAFE AND SECURE COMMUNITIES

A measure of Alberta's quality of life is how safe and secure citizens feel in their homes and communities. The Ministries of Justice and Solicitor General and Public Security continue to work on improving the justice system and reducing crime. Total funding to these two ministries is being increased by $79 million, or 9.8%, to $889 million in 2007-08.

MINISTRY OF JUSTICE

The Ministry of Justice administers Alberta's court system, prosecutes cases and protects the legal interests of Albertans. Ministry funding is increasing by $30 million, or 8.5% to $382 million in 2007-08. This includes:

- A Crime Reduction and Safe Communities Task Force - Established to recommend ways to reduce crime, enhance community safety and improve confidence in the criminal justice system.
- Legal Service Capabilities - Improved by hiring 10 Crown prosecutors and 12 support staff, with six prosecutors and seven support staff dedicated to family violence issues.
- Court Services and Traffic Ticket Processing - Resources to manage increasing workloads.
- Justice Information Management System Initiative - Project start-up.
- Maintenance Enforcement Program - Staff added to maximize collections efforts.

Many initiatives are being undertaken to make Albertans more safe and secure.

MINISTRY OF SOLICITOR GENERAL AND PUBLIC SECURITY

The Ministry provides co-ordinated law enforcement, public security and victim services, as well as managing remand and correctional facilities and programs. Funding is increasing by $49 million, or 10.7% in 2007-08 to $507 million. This increase provides for:

- Provincial Policing Service Agreement/RCMP - Full-year cost of RCMP officers added last year and other increased costs.
- Alberta Serious Incident Response Team - Established to investigate complaints against police officers regarding serious or sensitive matters or that allege police actions may have resulted in serious injury or death.
- First Nations Policing - An increase to the province's contribution toward the cost shared by First Nations, and federal and provincial governments. This includes 14 additional RCMP officers dedicated to six First Nation communities.
- Warrant Apprehension Unit - Established to address the growing number of outstanding arrest warrants.
- Court Security and Video Arraignment - Completed by adding staff to provide better perimeter security and video conferencing between remand/correctional facilities and court houses.
- Edmonton Remand Centre - As an interim solution to overcrowding, inmates are being transferred to the Fort Saskatchewan Correctional Centre.
- Traffic Safety Plan - Funding to hire 42 additional highway sheriffs as part of the Ministry's contribution towards the approximately $30 million in overall government spending on traffic safety which is being led by Infrastructure and Transportation.

ASSISTANCE TO ALBERTANS

Spending on services for children and seniors, as well as support to Albertans who need assistance is increasing by $238 million, or 8.2% in 2007-08, to over $3.1 billion. Over the following two years, expense is expected to increase by an average of 2% per year, reaching almost $3.3 billion by 2009-10.

SERVICES FOR CHILDREN

The budget for Children's Services, at $972 million, will support a number of initiatives.

In 2007-08, the Ministry of Children's Services spending is increasing by 7.5%, or $68 million, to $972 million. This includes:

Child Care. Support for child care increases in 2007-08 by $16 million, or 13.6%, to $134 million. This will expand access to quality, affordable child care options and is in addition to the 51% increase in 2006-07.

Child Intervention. Funding for the Child Intervention program is $357 million, an increase of $21 million, or 6.3%, to ease the pressures of a growing population. A new service delivery model will be implemented to improve the way families interact with community resources, focusing more on assessment, permanency for children and greater involvement with First Nations and Métis communities.

Family Support for Children with Disabilities. Funding is increasing by $7 million, or 7.4%, to $102 million to address increased demand and build rural capacity. The program provides support to families so their disabled children have an opportunity to develop to their potential.

Fetal Alcohol Spectrum Disorder. A ten-year plan is being implemented to reduce the incidence of fetal alcohol spectrum disorder, a leading cause of birth defects and lifelong disabilities. The strategy includes improved diagnosis and assessment capacity and better co-ordination of services. Funding rises to $10 million in 2007-08, a 72% increase.

Prevention of Family Violence and Bullying. Steps are being taken by several ministries to prevent family violence and bullying. Funding is increasing by nearly $5 million, or 11%, across the partnering ministries, with joint spending planned to exceed $46 million. Initiatives include:

- Additional Crown prosecutors, probation officers and support staff hired to facilitate the prosecution and supervision of family violence offenders.
- Expansion of the safe visitation programs, enhancements to community initiatives and public awareness campaigns.
- Support for sexual assault centres and women's shelters and the provision of financial benefits to help individuals establish a new place to live after leaving an abusive situation.
- Continuation of the Provincial Family Violence Treatment program for court-mandated offenders.

Other Services. Funding for other services is increasing by $17 million, including increases to address pressures in Foster Care Support and Family and Community Support Services.

SERVICES FOR SENIORS

Approximately 11,000 seniors access the dental assistance program and 3,300 access the optical assistance program each month.

Alberta Seniors Benefit. $285 million is budgeted in 2007-08, an increase of $18 million, or 6.9%.

Dental and Optical Assistance. $67 million is budgeted for these programs, an increase of $6.6 million, or 10.9%, largely for the dental assistance program.

Seniors Lodge Assistance. A $4.5 million, or 14.7%, increase in 2007-08 providing funding for 250 more units and a $1 per unit per day increase to assist lodge operators with funding for higher need clients.

OTHER PEOPLE SERVICES

Income Supports. A 5% benefit increase will be provided to Income Support clients who are considered not able to work full-time continuously, those who are temporarily unable to work, and to all learners.

$99 million increase in AISH funding.

Assured Income for the Severely Handicapped (AISH). Funding is increasing $99 million, or 18.2%, to $644 million in 2007-08. This includes:

- $66 million for anticipated increases in clients, cost per case, and health and supplementary benefits.
- $20 million for a 5% increase to the monthly maximum living allowance, making it $1,050 effective April 1, 2007.
- $10 million for initiatives aimed at expanding employment opportunities to enhance client independence.

Persons with Developmental Disabilities (PDD). Funding is $526 million in 2007-08, an increase of $18 million, or 3.5%. This will accommodate caseload growth and agency staff retention pressures.

Alberta Aids to Daily Living. In 2007-08, $92 million is provided, an increase of $3 million, or 3.1%.

Assistance to Albertans Expense[a]

(millions of dollars)

	2006-07 Forecast	2007-08 Estimate	2008-09 Target	2009-10 Target
Children's Services	904	972	987	996
AISH	545	644	658	662
PDD	509	526	541	565
Seniors programs	391	425	448	453
Income supports and benefits	320	325	323	322
Other	242	256	268	276
Total Expense	**2,911**	**3,148**	**3,225**	**3,274**

[a] This is the social services expense by function.

ECONOMIC AND ENVIRONMENTAL INITIATIVES

LABOUR FORCE DEVELOPMENT

The government has initiatives to help ease the tight labour market.

Immigration. A made-in-Alberta immigration strategy is being developed. Funding for immigration is being increased by $9 million, or 15.1%, to $68 million in 2007-08. The strategy includes expanding the number of nominees under the Provincial Nominee Program to 2,500 in 2007-08 and to 8,000 in 2009-10, improving international marketing and credentials recognition, and adding 500 spaces to the English as an Additional Language and Bridging programs.

Labour Force Development Strategy. A Health Workforce Plan will be developed with $30 million allocated in each of the next three years for implementation. Work is also continuing on sector-specific strategies, including tourism and hospitality, energy and mining, non-profit, construction, manufacturing, primary agriculture production and agri-processing sectors.

Labour Standards and Workplace Safety. In 2007-08, funding is $37 million. This includes an increase of $6.8 million from the Workers' Compensation Board. Additional Occupational Health and Safety staff will be hired to address the increase in compliance and enforcement workload associated with growth in the labour force.

ECONOMIC DEVELOPMENT

Comprehensive Energy Strategy. Alberta is developing a strategy to guide the use and responsible development of renewable and non-renewable energy sources. This will include enhancing value-added opportunities, energy conservation and development of the oilsands.

Energy and Environmental Research. The Energy Innovation Fund will provide $142 million in 2007-08 and 2008-09 for activities such as clean coal technology pilot projects, groundwater mapping, reclamation research, biofuel development and biodiversity monitoring.

Bio-Energy is part of Alberta's economic strategy.

Bio-Energy Renewable Producer Credit. A credit of up to 14 cents per litre will be introduced for ethanol, bio-diesel or other bio-fuels produced in Alberta and using Alberta feedstock. This is estimated to cost $128 million over the next three years. This program replaces the fuel tax exemption.

Agriculture. In 2007-08, a framework will be developed and implemented to maintain Canada's status as a minimal risk country for beef production and promote Alberta's safe food practices. This will require nationally compatible policies, a database for premises identification, and facilities and technical infrastructure for livestock traceability. As well, the provincial and federal governments are providing $33 million over the next two years, in addition to $7 million in 2006-07, to assist industry cost reduction and adaptation to the existing Canadian ruminant feed ban enhancements. The enhancements require elimination of specified risk material, or tissues that could contain BSE.

New Major Community Facilities Program worth $280 million over the next two years.

Tourism, Parks, Recreation and Culture. Increased funding has been provided for tourism programs, development of a comprehensive provincial parks and recreation areas plan, and development of a new culture policy. The new Major Community Facilities Program will also provide $280 million over the next two years to add and upgrade community public-use facilities across Alberta. In addition, funding is being provided in 2007-08 for major athletic facilities and infrastructure support for fairs and exhibitions. $69 million, over three years, will support the Calgary Olympic Development Association's major facility renewal project.

ENVIRONMENT

Action is being taken on climate change.

Alberta Climate Change Action Plan. In March 2007, the government introduced the *Climate Change and Emissions Management Amendment Act*. This Act will require companies emitting over 100,000 tonnes of greenhouse gases a year to reduce emissions intensity by 12% starting July 1, 2007. If reducing emissions intensity by 12% is not possible, large emitters will be able to offset emissions by investing in Alberta-based projects that reduce emissions on their behalf or will be required to pay $15 per tonne to a technology fund for every tonne above the 12% target. The fund will be used to develop infrastructure to reduce emissions or to support research into climate change solutions. Financial information on the fund was not available in time to be included in *Budget 2007*.

Nearly $500 million is being provided for Water for Life over the next three years.

Water for Life. Over the next three years, $499 million in operating and capital support is being provided for Alberta's *Water for Life* strategy. This funding is targeted to ensuring safe, secure drinking water supply, healthy aquatic ecosystems and reliable, quality water supplies for a sustainable economy. Increased emphasis is also been placed on watershed and water management, groundwater protection and municipal waterworks systems.

Land-use Framework. The development of a framework continues, with $6 million allocated in 2007-08. The framework will address conflicts over competing uses of land and provide a vision for an integrated sustainable land-use approach that balances economic, environmental and social concerns.

Mountain Pine Beetle. $55 million is budgeted in 2007-08 to detect and manage mountain pine beetle infestations in Alberta's forests.

New institute established for environmentally-sound practices in agriculture and forestry.

Institute for Agriculture, Forestry and the Environment. A new institute is being established to identify and facilitate the use of environmentally sound practices in the agriculture and forestry sectors. It will focus on development and commericalization of technologies and leading-edge practices.

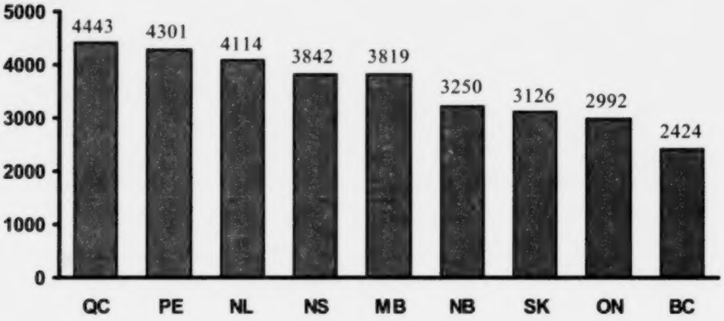
Canada eco-Trust. The federal government's Canada eco-Trust for Clean Air and Climate Change will support projects that target real reductions in greenhouse gas emissions and air pollutants. Alberta's share of the $1.5 billion initiative is estimated at $156 million, which will be used over the next three years. Sufficient details were not available in time to be included in *Budget 2007*.

REVENUE INITIATIVES

In recent years, Alberta has undertaken extensive reviews of the tax system. Based on these reviews, Alberta has built an efficient and competitive tax system. Albertans and Alberta businesses pay, by far, the lowest overall taxes in Canada. If Alberta had the same tax system as other provinces, Albertans and Alberta businesses would pay between $8.3 billion and $15.3 billion more in taxes each year, the equivalent of about $2,400 to $4,400 per capita.

Alberta's tax advantage is up to $4,400 per capita.

Alberta Tax Advantage
(dollars per capita)



This graph shows, on a per capita basis, the total additional provincial taxes, health care insurance premiums and liquor markups that individuals and businesses would pay if Alberta had the same tax systems as other provinces.

Revenue Reviews

In 2007-08, reviews are being undertaken related to the province's energy revenue and investments. Energy revenue and investment income account for over one-third of the government's total revenue and are roughly equal to the amount received from all tax sources.

- Royalty Review - An independent panel of experts is examining the province's energy royalty and tax system to ensure Albertans are receiving a fair share from energy development through royalties, taxes and fees. The review will focus on all aspects of the royalty system, including oilsands, conventional oil and gas, and coalbed methane.
- Financial Investment and Planning Commission - This Commission will be established to examine the province's savings/investment strategies. Alberta currently has about $45 billion in financial assets in various investments.

Tax Changes

Selective tax changes are also being implemented in 2007. Personal income tax changes will save Albertans nearly $200 million annually. Corporate income tax changes will save businesses about $22 million in 2007.

Now Albertans will receive a 50 cent tax credit for every dollar donated over the $200 threshold (including the federal credit).

Personal Income Tax Changes

- Charitable Donations Tax Credit - Donations above $200 will be eligible for a credit of 21%, up from 12.75%, an increase of more than 60%. Including the federal charitable donations credit, Albertans will receive a 50 cent tax credit for every dollar donated over the $200 threshold. The Alberta increase is worth $80 million annually.

The education tax credit for post-secondary students will be increased by 26%.

- Education Tax Credit - Will be increased by 26%, from $475 to $600 per month for full-time students, and from $143 to $180 per month for part-time students. The credit is available to post-secondary students to help them with living costs. The estimated benefit for students or their parents is $3 million in 2007, increasing to $10 million annually in future years.

Annual indexation prevents taxes from increasing due to inflation.

- Indexing of Personal Income Tax System - Annual indexation of Alberta's personal income tax system prevents taxes from increasing merely due to inflation. For the 2007 tax year, personal tax credit amounts will increase by 3.6%, saving Albertans about $92 million.
- Other Personal Income Tax Changes - Alberta will automatically parallel some of the personal income tax changes announced in the federal budget. This will save Albertans an estimated $22 million in 2007.

Corporate Income Tax Changes

- Small Business Threshold Changes - As previously announced, effective April 1, 2007, the amount of income that can be earned for the small business rate of 3% is being increased from $400,000 to $430,000. This change is expected to save Alberta companies about $4 million in 2007.
- Capital Cost Allowances (CCA) - The federal budget increased CCA rates for a variety of assets and expanded the accelerated CCA rate for investments in clean energy generation to include additional energy sources. Alberta's paralleling of these changes is expected to save Alberta companies about $18 million in 2007.

Estimated Savings from Income Tax Changes

(millions of dollars)

Personal Income Tax Changes		Corporate Income Tax Changes	
Charitable donations tax credit	80	Small business threshold changes	4
Education tax credit	3	Capital cost allowances	18
Indexing of personal tax credits	92		**22**
Other changes	22		
	197		

Education Property Tax Mill Rate Reductions

Education property tax mill rates are 40% lower than they were in 1993.

Education property tax rates have been reduced or frozen for the last 14 years. In 2007, education property tax mill rates will be reduced by 5.8%. The rates are being reduced to 4.52 for residential properties per $1,000 of equalized assessment and 6.64 for non-residential properties per $1,000 of equalized assessment.

Rates for 2007 are 40% lower than they were in 1993. In 1993, the mill rate for residential properties was 7.65, while the non-residential rate was 11.02. This is one of the major reasons why Alberta has among the lowest property taxes in Canada. In 2007, the province plans to capture real growth in the assessment base but not inflationary increases.

Tobacco Taxes

Tobacco taxes are increasing by 16% to promote a healthier lifestyle.

Tobacco taxes are being increased, effective midnight April 19. The tax on a carton of cigarettes is being raised $5.00 to $37.00, an increase of 16%. Taxes on other tobacco products is increased by 16% as well. These changes will increase tobacco tax revenue by $90 million annually.

Economic and Revenue Outlook

ECONOMIC OUTLOOK

In 2006, Alberta led all provinces in economic growth for the third consecutive year. Alberta's economy expanded by an estimated 6.9% in real terms, driven by rising investment and an upsurge in inter-provincial migration. The economy created 86,000 jobs, recording the fastest pace of employment growth in a quarter century. Alberta's annual unemployment rate fell to a 30-year low of 3.4%.

Alberta's economy is expected to remain strong.

Over the next four years, Alberta's economy is expected to continue to outperform the national economy, albeit at a more moderate rate. In 2007, economic growth is forecast to be 3.8%, and is expected to average 3.5% over the following three years. Continued strong gains in employment, along with very low unemployment rates, will support continued growth in real incomes. This medium-term outlook is similar to current private sector forecasts.

REVENUE OUTLOOK

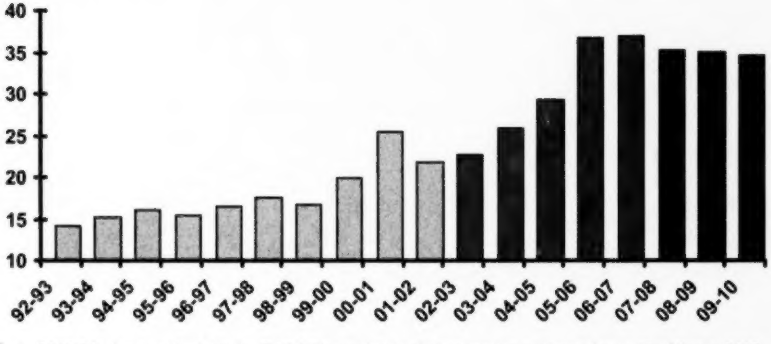
In 2006-07, there was essentially no growth in total revenue (excluding the impact of the Alberta 2005 Resource Rebate). Strong growth in income tax revenue and investment income was offset by a $2.6 billion decline in energy revenue. This came after four years (from 2002-03 to 2005-06) of exceptionally strong growth, when rapidly increasing energy prices resulted in total revenue increasing by an average of about 17.5% a year. Growth in the previous ten years averaged less than 5% a year.

In 2007-08, revenue is forecast to decline by $1.7 billion, or 4.7%, to $35.3 billion. This primarily reflects a continued decline in energy revenue, and lower investment income and corporate income tax revenue.

Over the following two years, revenue is forecast to decline by a further 1.8%, or $625 million. This includes a further $2.5 billion decrease in energy revenue, which is only partly offset by increases in other revenue.

Total revenue is expected to decline as a result of lower energy revenue.

Total Revenue [a]
(billions of dollars)



[a] In 2005-06, does not include the $1.3 billion reduction in income tax revenue due to the Alberta 2005 Resource Rebate.

For the next three years, the revenue forecast assumes economic trends close to the consensus view. This includes solid economic growth in Alberta and the world, and overall energy prices remaining reasonably strong – oil prices in the US$50 to US$60 per barrel range and natural gas prices between Cdn$6.25 and $6.75 per gigajoule (GJ).

External factors beyond Alberta's control have a major effect on revenue.

Global events, changes in economic conditions and even weather could significantly affect this revenue forecast. Consequently, the revenue forecast could be up to 10% higher or lower than the budget estimate.

Revenue
(millions of dollars)

	2005-06 Actual	2006-07 Forecast	2007-08 Estimate	2008-09 Target	2009-10 Target
Tax revenue	12,190	14,512	14,074	14,650	15,295
Non-renewable resource revenue	14,347	11,700	10,260	9,266	7,787
Federal transfers	3,392	3,086	3,715	3,813	3,950
Investment income	2,348	3,101	2,500	2,503	2,560
Other revenue	4,588	4,660	4,783	4,938	5,115
Total	**36,865**	**37,059**	**35,332**	**35,170**	**34,707**
Alberta 2005 Resource Rebate	(1,323)	–	–	–	–
Total Revenue	**35,542**	**37,059**	**35,332**	**35,170**	**34,707**

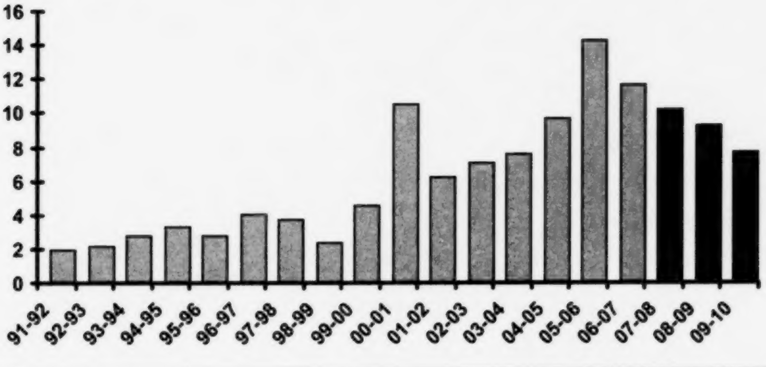
NON-RENEWABLE RESOURCE REVENUE

In 2006-07, non-renewable resource revenue declined by 18.4%, or $2.6 billion, to $11.7 billion. While the average oil price increased by 8% to US$64.97 per barrel, the average natural gas price fell by 28% to Cdn$5.95 per GJ. Over the next three years, non-renewable resource revenue is expected to continue to decline.

Energy revenue expected to decline over the next three years.

Revenue is forecast to decline from $11.7 billion in 2006-07 to $7.8 billion by 2009-10. This decline reflects more than just energy prices. It also reflects expected lower production levels, lower land licence and lease sales, increased production and processing costs and an increased share of oil royalties paid on bitumen rather than conventional/synthetic crude oil.

Non-Renewable Resource Revenue
(billions of dollars)



Natural gas price is expected to increase in 2007-08 and then decline in the following two years.

Natural Gas and By-Products Royalties. Natural gas royalties account for about 60% of total non-renewable resource revenue. After declining by $2.9 billion in 2006-07, revenue is expected to recover by about $522 million in 2007-08.

In 2007-08, natural gas prices are projected to increase by 80¢ to Cdn$6.75/GJ. In the following two years prices are expected to decline, falling to $6.25 by 2009-10. The forecast of natural gas prices reflects the expected decline in oil prices and the expectation that demand growth in the U.S. will be increasingly met by liquefied natural gas imports.

By 2009-10, natural gas royalties are expected to decline to $4.6 billion, only about half the level they were in 2005-06, a record year. The decline reflects not only lower prices, but also lower production and increased costs of processing.

Natural gas production is forecast to decline by 4.3% over the next three years. This includes an 11.5% reduction in conventional gas production partly offset by an over six-fold increase in coalbed methane gas production. The royalties received on coalbed methane gas are lower than conventional gas, reflecting lower well production rates and higher costs.

Natural Gas Royalties

	2005-06 Actual	2006-07 Forecast	2007-08 Estimate	2008-09 Target	2009-10 Target
Revenue ($ million)	8,388	5,501	6,023	5,233	4,601
Price (Cdn$/GJ)	8.29	5.95	6.75	6.50	6.25
Production(bcf)					
Conventional	5,240	5,197	4,899	4,749	4,597
Coalbed Methane	n.a.	70	299	375	441

Oil Royalties. Oil royalties account for about 30% of total non-renewable resource revenue. Reflecting record prices in 2006-07, oil royalties reached $3.8 billion. In 2007-08, royalties are forecast to decline to $2.9 billion, and are expected to continue to decline to $2 billion by 2009-10.

Non-conventional oil production accounts for about 75% of total oil production.

The decline in royalties reflects lower prices for conventional oil and bitumen. The West Texas Intermediate (WTI) oil price is forecast to fall to US$58.00 per barrel in 2007-08 and to $52.50 by 2009-10. Bitumen prices, on which a growing portion of royalties are paid, are forecast to decline by 27.8% over the same period. Bitumen prices tend to be about 50% of the price of WTI.

Lower projected revenue reflects lower prices, declining conventional oil production and lower productivity of wells (which lowers the royalty rate).

While non-conventional oil production is expected to increase by nearly 50% over the next three years, the royalties paid on the production are lower. By 2009-10, royalties paid by all oilsands projects are forecast to be based on the revenue and cost of producing bitumen. In combination with lower prices, this will cause royalties from oilsands projects to decline by nearly 50%, or $1 billion, from 2006-07.

Oil Royalties

	2005-06 Actual	2006-07 Forecast	2007-08 Estimate	2008-09 Target	2009-10 Target
Royalty Revenue ($ million)					
Crude oil	1,463	1,389	1,060	927	815
Synthetic crude/bitumen	950	2,374	1,795	1,821	1,163
Price					
WTI (US$/per barrel)	59.97	64.97	58.00	54.25	52.50
Bitumen(Cdn$/per barrel)	33.52	36.53	28.29	26.93	26.42
Production (000s barrels/day)					
Conventional	557	531	502	491	479
Non-conventional	1,083	1,247	1,390	1,594	1,864

Sales of Crown leases were unusually high in 2005-06 but are expected to return to more normal levels.

Bonuses and Sales of Crown Leases. Revenue from the sales of Crown leases reached a record $3.5 billion in 2005-06. This was about three times higher than the previous record. The increase was primarily due to the sales of oilsands leases. In 2006-07, revenue declined to $2.4 billion and over the next three years is expected to average about $1.1 billion a year. The decline is primarily due to expected lower revenue from oilsands lease sales. On a volume basis (estimated reserve), about 95% of the surface mineable reserve and roughly 47% of the in-situ reserve are currently leased.

Non-Renewable Resource Revenue

(millions of dollars)

	2005-06 Actual	2006-07 Forecast	2007-08 Estimate	2008-09 Target	2009-10 Target
Natural gas/by-products	8,388	5,501	6,023	5,233	4,601
Crude oil	1,463	1,389	1,060	927	815
Synthetic oil/bitumen	950	2,374	1,795	1,821	1,163
Coal royalty	11	16	15	15	15
Bonuses/Crown lease sales	3,490	2,434	1,214	1,119	1,045
Rentals and fees	156	169	153	151	148
Royalty tax credit	(111)	(183)	–	–	–
Total	**14,347**	**11,700**	**10,260**	**9,266**	**7,787**

ENERGY PRICE FORECASTS BY OTHER ORGANIZATIONS

The rapid rise in energy prices in recent years was unexpected by most analysts. Today, there is even more uncertainty over energy prices. Generally, energy analysts surveyed have indicated that they expect a downward trend over the medium term in oil and natural gas prices. However, the timing and extent of the expected declines vary considerably.

The variances are mainly related to differences about the relative growth of supply and demand for oil, which in turn are linked to assumptions about world economic growth, geopolitical tensions, OPEC supply-management cohesion, non-OPEC supply growth, weather conditions and supply of alternative sources of energy.

For 2007-08, the average oil and natural gas prices of other forecasting organizations are very similar to the *Budget 2007* assumptions. The average oil price is about 5% higher and average natural gas price is slightly lower.

However, *Budget 2007* does assume lower oil and natural gas prices for the following two years. The oil price is about $5 lower and the natural gas price about 25¢ lower.

Comparison of Energy Price Forecasts

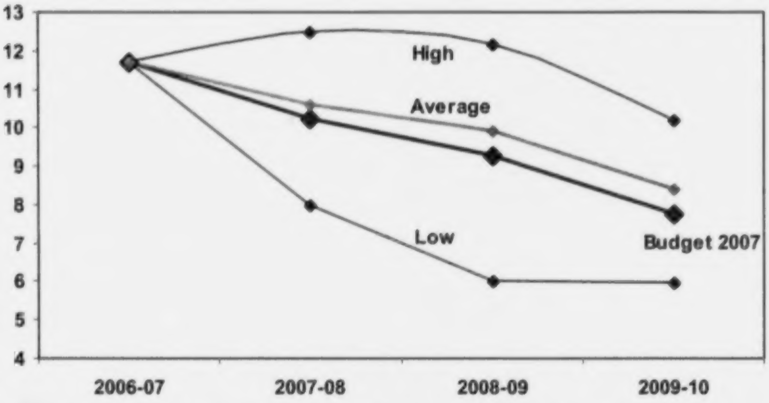
	Private Forecasters [a]			***Budget***
	High	Low	Average	***2007***
2007-08				
Oil Price (WTI US$/bbl)	68.60	53.07	60.90	**58.00**
Natural Gas Price (Cdn$/GJ)	7.51	4.89	6.66	**6.75**
2008-09				
Oil Price (WTI US$/bbl)	68.00	47.54	59.20	**54.25**
Natural Gas Price (Cdn$/GJ)	7.75	4.06	6.77	**6.50**
2009-10				
Oil Price (WTI US$/bbl)	67.75	44.15	58.34	**52.50**
Natural Gas Price (Cdn$/GJ)	7.54	5.06	6.52	**6.25**

[a] Private forecasts have been converted to a fiscal year basis, and for natural gas prices, from Henry Hub US$/MMBTU basis to Cdn$/GJ.

Reflecting the uncertainty over energy prices, forecasters have a fairly wide range of views. Based on the forecasts reviewed for 2007-08, there is about a US$15 range in oil prices and over a Cdn$2.50 range in natural gas prices. This suggests non-renewable resource revenue could be between $8 billion and $12.5 billion in 2007-08.

Energy revenue could be between $8 billion and $12.5 billion in 2007-08.

Energy Revenue Scenarios [a]
(billions of dollars)



[a] Non-renewable resource revenue scenarios are based on a survey of oil and natural gas price projections from leading forecasting organizations. Not all of these forecasts are publicly released.

Taxes account for 40% of Alberta's revenue.

TAX REVENUE

About 40% of Alberta's total revenue is from taxes. Total tax revenue is estimated at $14.1 billion in 2007-08, $438 million, or 3%, lower than in 2006-07. The decrease reflects lower corporate income tax revenue and the effect of a revision to prior years' estimates of personal income tax revenue. In the following two years, tax revenue is forecast to grow by an average of about 4.2% a year.

Expected strong income growth will drive personal income tax revenue.

Personal income tax revenue is forecast at $7.3 billion in 2007-08, a decrease of $201 million, or 2.7%. The decrease is due to a $634 million revision to prior years' estimates related to the 2005 tax year. This adjustment for the 2005 tax year increased reported personal income tax revenue in 2006-07. Excluding this adjustment, base personal income tax revenue is forecast to increase in 2007-08 by 6.3%. In the following two years, the growth in personal income tax revenue is expected to average around 6.3% a year.

Personal Income Tax Revenue

(millions of dollars)

	2006-07 Forecast	2007-08 Estimate	2008-09 Target	2009-10 Target
Base revenue	6,885	7,318	7,804	8,272
Revision to prior years' estimates	634	–	–	–
Total	**7,519**	**7,318**	**7,804**	**8,272**
Base revenue % increase		6.3	6.6	6.0

Corporate income tax revenue is forecast at $3.1 billion in 2007-08, a decline of $469 million, or 13%, from 2006-07. In 2006-07, corporate income tax revenue increased by over 23%, reflecting very strong economic growth and corporate profits. In 2007-08, economic growth is forecast to moderate and, as a result, corporate profits are expected to decline from their record levels of the previous year.

Over the following two years, corporate income tax revenue is forecast to remain relatively flat, reflecting more moderate economic growth and a return of corporate profits to a level consistent with historic trends.

Corporate profits are expected to trend down to historic norms.

Corporate profits are forecast to decline by about 8% over the next three years. The positive impact of the growth in the economy is offset by a decline in oil prices and by margins squeezed by rising labour and other costs.

The ratio of corporate income tax revenue to nominal gross domestic product is assumed to trend downward to its historic norm. Over the past 20 years, corporate income tax revenue, adjusted for changes in tax rates, has averaged 0.9% of Alberta's nominal GDP. In the past two years, this ratio has risen sharply, to 1.3% in 2005-06 and 1.5% in 2006-07. Over the next three years, the ratio is assumed to fall gradually, to 1.1% of GDP by 2009-10.

Education property tax revenue is forecast at $1.4 billion in 2007-08, an increase of $72 million, or 5.5%, from 2006-07. In the following two years, education property tax revenue is forecast to grow by about 4.5% a year. While education property tax revenue is increasing, mill rates are being reduced so that only growth in actual assessment (new homes and businesses, and renovations), rather than growth due to inflationary price increases, is captured.

Increase in tobacco tax revenue primarily due to tax increase.

Other tax revenue is forecast at $2.3 billion in 2007-08, an increase of $160 million, or 7.6%, from 2006-07. A projected rise in tobacco tax revenue of $110 million, primarily due to an increase in tobacco taxes, is the main reason for the increase. Over the following two years, revenue is expected to increase by an average of 2% a year.

Tax Revenue
(millions of dollars)

	2005-06 Actual	2006-07 Forecast	2007-08 Estimate	2008-09 Target	2009-10 Target
Personal income tax	6,000	7,519	7,318	7,804	8,272
Alberta 2005 Resource Rebate	(1,323)	-	-	-	-
Corporate income tax	2,917	3,595	3,126	3,078	3,177
Education property tax	1,283	1,306	1,378	1,440	1,505
Other taxes	1,990	2,092	2,252	2,328	2,341
Total Tax Revenue	**10,867**	**14,512**	**14,074**	**14,650**	**15,295**

TRANSFERS FROM GOVERNMENT OF CANADA

Federal transfers are estimated at $3.7 billon in 2007-08, an increase of $629 million, or 20.4%, from 2006-07. The increase reflects initiatives in the recent federal budget and lower transfers in 2006-07 primarily due to higher income tax revenue. Transfers are expected to increase by about 3.1% a year in the following two years.

Not all the initiatives announced in the federal budget are included in *Budget 2007*. The increases related to the Canada Social Transfer, child care funding and some of the infrastructure funding are included.

For other initiatives, such as the Patient Wait Times Guarantee Trust, Canada Health Infoway, cervical cancer vaccine trust, labour market training, and eco-Trust for Clean Air and Climate Change, sufficient detail was not available at the time of preparing Alberta's budget to include the potential increased transfers. These initiatives could increase transfers to Alberta by a further $150 million.

Health transfers are estimated at $1.8 billion in 2007-08. This is an increase of 14.6% from 2006-07 but is essentially unchanged from 2005-06. The 2007-08 increase largely reflects Alberta's lower income tax forecast. Due to the way the Canada Health Transfer currently works, lower tax revenue results in increased cash transfers under this program. Over the following two years, health transfers are forecast to increase by an average of about 5.4% a year.

Alberta will receive equal per capita Canada Social Transfers.

Canada Social Transfer (CST) supports post-secondary education and social programs. The transfer is forecast to nearly double in 2007-08, increasing from $492 million to $924 million. This increase primarily reflects the move to equal per capita transfers for the CST. In 2008-09, the CST is forecast to increase by a further 14%, reflecting increased transfers for post-secondary education. In 2009-10, the CST is forecast to increase by 3.1%.

Agriculture transfers are forecast at $329 million in 2007-08. This is an increase of 46% from 2006-07. The increase is primarily due to lower than normal cost-shared Canadian Agricultural Income Stabilization payments in 2006-07. Agriculture transfers are expected to remain at just over $300 million a year for the next three years.

Other federal transfers are forecast to decline by 18%, to $634 million in 2007-08. This reflects lower infrastructure transfers partly offset by payments under the Softwood Lumber Agreement. Over the following two years, transfers are forecast to decline primarily due to lower payments under the Softwood Lumber Agreement.

Transfers from Government of Canada

(millions of dollars)

	2006-07 Forecast	2007-08 Estimate	2008-09 Target	2009-10 Target
Health transfers	1,595	1,828	1,908	2,028
Canada Social Transfer	492	924	1,054	1,087
Agriculture support programs	226	329	317	313
Other transfers	773	634	534	522
Total Federal Transfers	**3,086**	**3,715**	**3,813**	**3,950**

INVESTMENT INCOME

At March 31, 2007, Alberta had about $45 billion in financial assets that are invested in short-term, medium-term and long-term investments. The investment strategies for these assets depend on the objectives of the funds.

In 2007-08, the new Alberta Investment Management Corporation will be established to manage about $40 billion of these assets along with about $30 billion in assets of public sector pensions and the Workers' Compensation Board.

In 2007-08, investment income is estimated to be $2.5 billion (excludes public sector pensions and Workers' Compensation Board). This is a decrease of $601 million, or 19.4%, from 2006-07, primarily due to lower expected returns of the Heritage Fund and other endowment funds. In 2006, investments in the Heritage Fund and endowments benefited from strong equity markets. Over the next three years, it is expected that the growth in equity markets will be closer to historic levels.

Heritage Fund and Endowment Funds. These funds are invested for long-term returns. Their book value is approximately $18 billion. In 2006, these funds achieved a return on their market value of nearly 15%, reflecting strong equity markets. This resulted in realized income of

$2 billion. In 2007-08, these assets are forecast to have a return of around 8%. As a result, their realized income is forecast to drop by $601 million to $1.4 billion.

Specific assumptions on long-term capital market rates of return, interest and exchange rates, turnover (i.e., sale of investments) and the mix of investments (e.g., cash, stocks, bonds and real estate) all impact the Heritage Fund and endowment fund income forecasts.

About 20% of the Heritage Fund's Canadian equity holdings and 30% of private investments are Alberta-based. In total, Alberta-based investments represent approximately 9% of the Fund's holdings.

Heritage Fund Return and Asset Mix Assumptions[a]

(%)

Investment:	Expected Return[b]	Asset Mix	Market Returns	
			5-Year	1-Year
Canadian public equities	7.0	15	13.5	17.4
Foreign public equities	8.0	30	4.7	21.4
Real estate	7.0	10	15.0	20.8
Private equity	10.3	4	n.a.	18.3
Private Income	9.5	4	n.a.	18.8
Timberland	7.8	2	n.a.	4.3
Absolute return strategies	6.0	5	n.a.	10.2
Fixed income	market interest rates	29	7.4	5.4
Money market	market interest rates	1	2.9	3.5
Total	**7.8**	**100**	**8.4**	**14.8**

[a] Expected Return is based on fair market value, not book value, of Heritage Fund assets. Actual Market Returns are on a calendar year basis to December 2006 and based on fair market value. The actual returns on a fiscal year basis to March 31, 2007 were not yet available. The estimated fair market value of the Heritage Fund at March 31, 2007 was $16.3 billion. This is $1.4 billion higher than the book value of $14.9 billion. The difference is unrealized capital gains.

[b] Average expected annual return for the three-year period from 2007-10.

Sustainability Fund, Capital Account, Debt Retirement Account. These accounts had combined assets of $15.8 billion at March 31, 2007. The assets are invested primarily in short to medium-term investments to match withdrawals for capital projects, debt maturities, and potential requirement for emergencies and disasters. These accounts are expected to have total investment income of $566 million in 2007-08, an increase of 4.6%. The increase reflects the higher starting balances of these accounts compared to 2006-07. The return on investment on these funds is expected to be about 4%.

Alberta Capital Finance Authority and Agriculture Financial Services Corporation. These two self-supporting organizations had assets of $7 billion at March 31, 2007. The Alberta Capital Financing Authority allows municipalities and other local authorities to borrow at rates based on the provincial government's AAA rating, currently about 4.5%. The Agriculture Financial Services Corporation provides low-cost farm loans and manages the province's agriculture insurance programs. The policy objectives of the two corporations limit the return on their investments (primarily loans). In 2007-08, their total investment income is forecast at $396 million, about a 2% increase. About a $1 billion forecast increase in loans/assets in 2007-08 is mostly offset by lower interest rates. The return on investment on these funds is expected to be about 5%.

Investment Income

(millions of dollars)

	2006-07 Forecast	2007-08 Estimate	2008-09 Target	2009-10 Target
Longer-term Objectives				
Alberta Heritage Savings Trust Fund	1,717	1,219	1,224	1,310
Endowment funds	301	198	222	248
Loan/Insurance Portfolios				
Alberta Capital Finance Authority	293	295	298	307
Agriculture Financial Services Corporation	95	101	109	115
Short to Medium-Term Objectives				
Sustainability Fund	252	275	275	275
Capital Account	192	210	190	140
Debt Retirement Account	97	81	62	48
Other Investment income	154	121	123	117
Total Investment Income	**3,101**	**2,500**	**2,503**	**2,560**

REVENUE FROM OTHER SOURCES

Revenue from other sources is estimated at $4.8 billion in 2007-08, an increase of $123 million, or 2.6%, from 2006-07. Over the following two years revenue from other sources is forecast to grow by an average of 3.4% per year, to over $5.1 billion.

The slower growth in 2007-08 is caused primarily by a reduction in estimated revenue from Alberta Treasury Branches and gaming operations. A non-smoking bylaw in Calgary, which becomes effective in 2007-08, is expected to dampen gaming activity slightly.

Revenue from Other Sources

(millions of dollars)

	2006-07 Forecast	2007-08 Estimate	2008-09 Target	2009-10 Target
Alberta Gaming & Liquor Commission	2,064	2,090	2,205	2,308
Alberta Treasury Branches	280	262	288	324
Premiums, fees and licences	1,804	1,876	1,907	1,952
Other	512	555	538	531
Total Revenue from Other Sources	**4,660**	**4,783**	**4,938**	**5,115**

RISKS

Economic

- *Budget 2007* assumes world, U.S. and Alberta economic growth will moderate but remain fairly healthy. While the U.S. economy appears to be adjusting reasonably well to the slowdown in housing, there remain concerns that difficulties in this sector could spread to other areas.

- There are concerns that the high U.S. trade and budget deficits could lead to disruptions in world financial markets and lower U.S. and world economic growth.
- Inflationary pressures greater than expected could lead to greater monetary tightening which would reduce economic growth.
- Further tightening in Alberta's labour market and significant wage increases could inhibit job creation and economic growth.

Energy Prices

- Energy markets remain highly volatile. A greater-than-expected decline in oil prices, or a less-than-expected recovery in natural gas prices, could negatively impact Alberta's energy sector and reduce government revenue.
- Higher-than-forecast energy prices would increase government revenue, but global economic growth would be negatively affected.

Exchange Rate

- A stronger-than-expected Canadian dollar could negatively affect exports and economic growth. Oil and gas activity could also be negatively affected due to lower returns for energy exporters.
- A high Canadian dollar also lowers government resource revenue, as energy prices and contracts are mainly based on the US dollar.

Investment Income

- Alberta has significant financial assets invested in a variety of financial instruments. Changes in equity markets, interest rates, exchange rates and other factors affect the rate of return on these assets.

Emergency and Disaster Assistance

- Alberta has provided emergency and disaster assistance for agriculture, floods, wild fires and mountain pine beetle infestations. It is difficult to forecast these potential developments and costs. Funding for these types of expenses is available from the Alberta Sustainability Fund.

Sensitivities to Fiscal Year Assumptions, 2007-08[a]

(millions of dollars)

	Annual Change	Revenue	Spending	Net Change
Oil Price (WTI US$/bbl)	-$1.00	-139	–	-139
Natural Gas Price (Cdn$/GJ)	-10¢	-98	–	-98
Exchange Rate (US¢/Cdn$)	+1¢	-123	–	-123
Interest Rates	+1%	-227	+5	-232
Personal Income ($million)	-100	-6	–	-6
Corporate Profits ($million)	-100	-8	–	-8

[a] Sensitivities are based on current assumptions of prices and rates and show the effect for a full 12 month period. Sensitivities can vary significantly at different price and rate levels. The energy price sensitivities do not include the potential impact of price changes on the revenue from land lease sales. The interest rate sensitivity has two components, an increase in cash interest income and a capital loss. When interest rates rise, bond prices go down, causing a capital loss.

FISCAL PLAN TABLES

BUDGET 2007
MANAGING OUR GROWTH

Fiscal Summary[a]

(millions of dollars)

	2005-06 Actual	2006-07 Budget	2006-07 Forecast	2007-08 Estimate	2008-09 Target	2009-10 Target
Revenue	35,542	32,408	37,059	**35,332**	35,170	34,707
Expense						
Program expense						
Operating expense	22[illegible]	24,468	24,577	**27,023**	28,147	29,317
Capital grants	2,660	2,662	3,452	**4,739**	4,435	3,239
Disaster/emergency/natural gas rebates	1,037	362	876	**527**	290	290
Capital amortization and nominal sum disposals	450	575	545	**625**	676	721
Debt servicing costs	248	245	221	**235**	235	215
Total Expense [b]	26,991	28,312	29,671	**33,149**	33,783	33,782
Net Revenue (surplus)	8,551	4,096	7,388	**2,183**	1,387	925
Transfer from Capital Account for Capital Grants	1,795	1,896	2,508	**2,564**	2,612	1,605
Net transfer from (to) Sustainability Fund	(10,346)	(5,692)	(9,896)	**(4,433)**	(3,676)	(2,197)
Contingency Allowance	-	300	-	**314**	323	333

[a] For fiscal policy purposes under the *Fiscal Responsibility Act*. Amounts for 2005-06 and 2006-07 have been restated to be comparable to the 2007-08 presentation. Excludes the increase in pension obligations, estimated to be $117 million in 2007-08, $131 million in 2008-09 and $152 million in 2009-10.

[b] Capital investment (not included in expense) : 1,083 1,519 1,374 1,964 2,095 1,773

Allocation of Surpluses

(millions of dollars)

	2005-06 Actual	2006-07 Budget	2006-07 Forecast	2007-08 Estimate	2008-09 Target	2009-10 Target
Net Revenue (surplus)	8,551	4,096	7,388	**2,183**	1,387	925
Adjustments						
Contingency Allowance	-	(300)	-	**(314)**	(323)	(333)
Retained income of funds and agencies and cash adjustments [a]	(1,221)	(746)	1,147	**(741)**	(31)	(732)
Net cash required for capital investment [b]	(494)	(813)	(692)	**(1,153)**	(1,430)	(1,036)
Net withdrawal from Capital Account [c]	-	-	-	**1,459**	702	1,487
Net Amount Available for Allocation	6,836	2,237	7,843	**1,434**	305	311
Allocation						
Capital Account - net deposits for future-year commitments	3,569	-	1,849	**-**	-	-
Capital Account - cost escalation set-aside	-	-	-	**1,000**	-	-
Heritage Fund - deposit	1,000	1,000	1,000	**-**	-	-
Heritage Fund - inflation proofing	382	242	202	**284**	305	311
Advanced education endowment (in the Heritage Fund)	750	-	250	**-**	-	-
Scholarship Fund	250	20	20	**-**	-	-
Medical Research Endowment Fund	200	150	150	**150**	-	-
Science and Engineering Research Endowment Fund	100	-	100	**-**	-	-
Alberta Cancer Prevention Legacy Fund	-	500	500	**-**	-	-
Energy Innovation Fund	-	-	200	**-**	-	-
Sustainability Fund net increase	585	325	3,572	**-**	-	-
Total Allocation	6,836	2,237	7,843	**1,434**	305	311

[a] Includes energy and other cash adjustments and increase in 2005-06 fourth quarter results transferred to 2006-07 forecast.

[b] Cash required for capital investment from current-year surplus and/or net withdrawal from Capital Account.

[c] Net amount withdrawn from Capital Account after current-year allocations and withdrawals.

Balance Sheet Summary

(millions of dollars)

	At March 31				
	2006 Actual	2007 Forecast	2008 Estimate	2009 Target	2010 Target
Financial Assets					
Heritage Fund external investments	13,414	14,947	**15,231**	15,536	15,847
Self-supporting lending organizations	6,617	6,966	**7,902**	8,607	9,246
Sustainability Fund	4,083	7,655	**7,655**	7,655	7,655
Endowment funds [a]	2,327	3,462	**3,608**	3,629	3,726
Capital Account	4,243	6,092	**5,633**	4,931	3,444
Debt Retirement Account	2,197	2,035	**1,789**	1,165	1,097
Other financial assets	8,905	7,315	**8,277**	8,509	9,365
Total Financial Assets	41,786	48,472	**50,095**	50,032	50,380
Liabilities					
Accumulated debt	2,195	2,030	**1,784**	1,160	1,092
Pension obligations	5,435	5,590	**5,707**	5,838	5,990
Self-supporting lending organizations [b]	6,198	6,345	**7,182**	7,773	8,285
Liabilities for government-owned capital	126	274	**474**	474	499
Other liabilities [b]	4,949	4,957	**4,961**	4,979	5,001
Total Liabilities	18,903	19,196	**20,108**	20,224	20,867
Net Financial Assets	22,883	29,276	**29,987**	29,808	29,513
Capital Assets	11,552	12,392	**13,747**	15,182	16,250
Net Assets	34,435	41,668	**43,734**	44,990	45,763
Adjustment for pension obligations	5,435	5,590	**5,707**	5,838	5,990
Net Assets for Fiscal Policy Purposes [c]	39,870	47,258	**49,441**	50,828	51,753

[a] Includes the Medical Research Endowment, Science and Engineering Research Endowment, Scholarship Fund, Alberta Cancer Prevention Legacy Fund, and the Energy Innovation Fund.

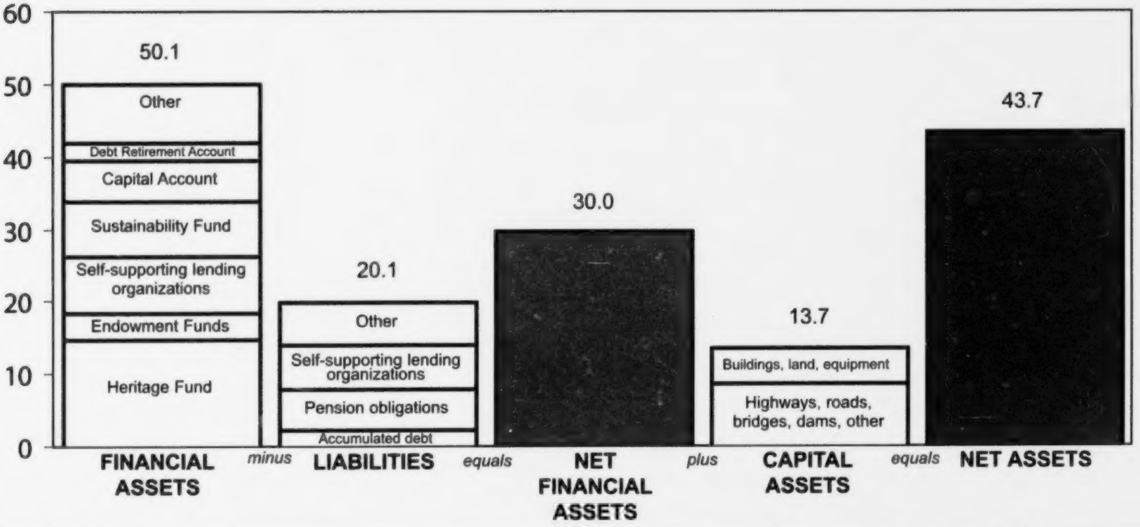
[b] In *Budget 2006*, the internally held debt of Agriculture Financial Services Corporation was reported in Other liabilities. It is now reported under Self-supporting lending organizations.

[c] Under the *Fiscal Responsibility Act*. Excludes pension obligations.

Estimate of Assets, Liabilities and Net Assets

at March 31, 2008

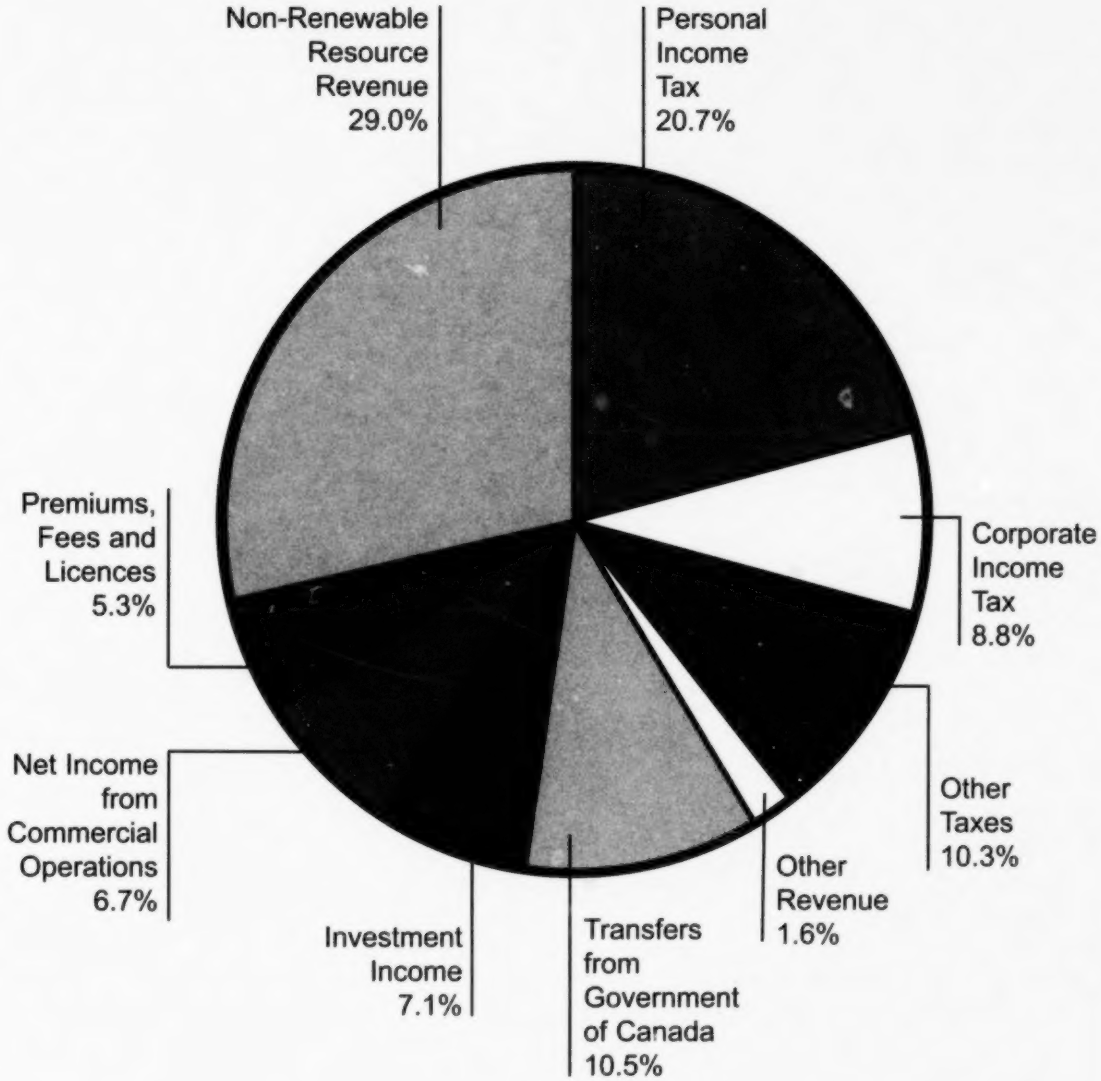
(billions of dollars)



Revenue

(millions of dollars)	2005-06 Actual	2006-07 Budget	2006-07 Forecast	**2007-08 Estimate**	2008-09 Target	2009-10 Target
Income Taxes						
Personal income tax	6,000	5,999	7,519	**7,318**	7,804	8,272
Alberta 2005 Resource Rebate	(1,323)	-	-	**-**	-	-
Corporate income tax	2,917	2,227	3,595	**3,126**	3,078	3,177
	7,594	8,226	11,114	**10,444**	10,882	11,449
Other Taxes						
Education property tax	1,283	1,306	1,306	**1,378**	1,440	1,505
Tobacco tax	719	740	780	**890**	910	930
Fuel tax	664	643	700	**720**	740	760
Freehold mineral rights tax	334	386	319	**333**	352	307
Insurance taxes	215	195	229	**244**	260	277
Tourism levy	58	50	64	**65**	66	67
	3,273	3,320	3,398	**3,630**	3,768	3,846
Non-Renewable Resource Revenue						
Natural gas and by-products royalty	8,388	7,146	5,501	**6,023**	5,233	4,601
Crude oil royalty	1,463	954	1,389	**1,060**	927	815
Synthetic crude oil and bitumen royalty	950	1,716	2,374	**1,795**	1,821	1,163
Coal royalty	11	11	16	**15**	15	15
Bonuses and sales of Crown leases	3,490	1,479	2,434	**1,214**	1,119	1,045
Rentals and fees	156	150	169	**153**	151	148
Royalty tax credit	(111)	(102)	(183)	**-**	-	-
	14,347	11,354	11,700	**10,260**	9,266	7,787
Transfers from Government of Canada						
Health transfers	1,839	1,888	1,595	**1,828**	1,908	2,028
Canada Social Transfer	597	678	492	**924**	1,054	1,087
Agriculture support programs	299	303	226	**329**	317	313
Other	657	529	773	**634**	534	522
	3,392	3,398	3,086	**3,715**	3,813	3,950
Investment Income						
Alberta Heritage Savings Trust Fund	1,385	874	1,717	**1,219**	1,224	1,310
Alberta Capital Finance Authority	282	275	293	**295**	298	307
Agriculture Financial Services Corporation	83	86	95	**101**	109	115
Sustainability Fund	105	125	252	**275**	275	275
Capital Account	51	135	192	**210**	190	140
Debt Retirement Account	115	89	97	**81**	62	48
Endowment Funds						
Medical Research	108	61	152	**100**	116	129
Science and Engineering Research	58	31	87	**56**	62	70
Scholarship	44	27	62	**42**	44	49
Other	117	64	154	**121**	123	117
	2,348	1,767	3,101	**2,500**	2,503	2,560
Net Income from Commercial Operations						
Alberta Gaming and Liquor Commission						
Gaming and lottery revenue	1,389	1,300	1,458	**1,448**	1,537	1,614
Liquor revenue	597	571	606	**642**	668	694
Alberta Treasury Branches	199	217	280	**262**	288	324
Other	7	6	7	**6**	7	8
	2,192	2,094	2,351	**2,358**	2,500	2,640
Premiums, Fees and Licences						
Health care insurance premiums	897	882	912	**919**	935	948
Motor vehicle licences	312	305	328	**332**	340	349
Crop and hail insurance premiums	142	124	133	**181**	167	172
Timber rentals and fees	86	81	44	**40**	43	49
Land titles	56	54	66	**70**	76	83
Other	319	306	321	**334**	346	351
	1,812	1,752	1,804	**1,876**	1,907	1,952
Other						
Refunds of expense	117	97	93	**100**	101	101
Fines and penalties	79	78	85	**95**	105	108
Miscellaneous	388	322	327	**354**	325	314
	584	497	505	**549**	531	523
Total Revenue	35,542	32,408	37,059	**35,332**	35,170	34,707

2007-08 Revenue
$35.3 billion



Expense by Ministry

(millions of dollars)

	2005-06 Actual	2006-07 Budget	2006-07 Forecast	**2007-08 Estimate**	2008-09 Target	2009-10 Target
Program[a]						
Legislative Assembly	67	74	71	**93**	84	87
Advanced Education and Technology	2,022	2,382	2,530	**3,092**	3,032	2,758
Agriculture and Food	1,054	992	1,058	**1,026**	1,000	1,000
Children's Services	811	918	904	**972**	987	996
Education	4,799	5,134	5,424	**5,619**	5,807	5,798
Employment, Immigration and Industry	779	891	881	**853**	849	854
Energy	198	219	226	**300**	330	314
Environment	140	143	155	**164**	169	165
Executive Council	18	22	22	**23**	24	24
Finance	549	592	640	**645**	666	699
Health and Wellness	9,572	10,318	10,734	**12,045**	12,613	12,864
Infrastructure and Transportation	2,765	2,522	2,684	**3,118**	3,023	3,055
International, Intergovernmental and Aboriginal Relations	62	69	70	**68**	59	57
Justice	299	348	352	**382**	404	421
Municipal Affairs and Housing	544	353	416	**836**	878	952
Seniors and Community Supports	1,562	1,636	1,607	**1,764**	1,800	1,823
Service Alberta	230	270	267	**279**	284	288
Solicitor General and Public Security	416	454	458	**507**	523	534
Sustainable Resource Development	305	238	486	**353**	304	309
Tourism, Parks, Recreation and Culture	544	482	456	**756**	692	549
Treasury Board	7	10	9	**19**	20	20
Total Program Expense	26,743	28,067	29,450	**32,914**	33,548	33,567
Debt Servicing Costs	248	245	221	**235**	235	215
Total Expense	26,991	28,312	29,671	**33,149**	33,783	33,782

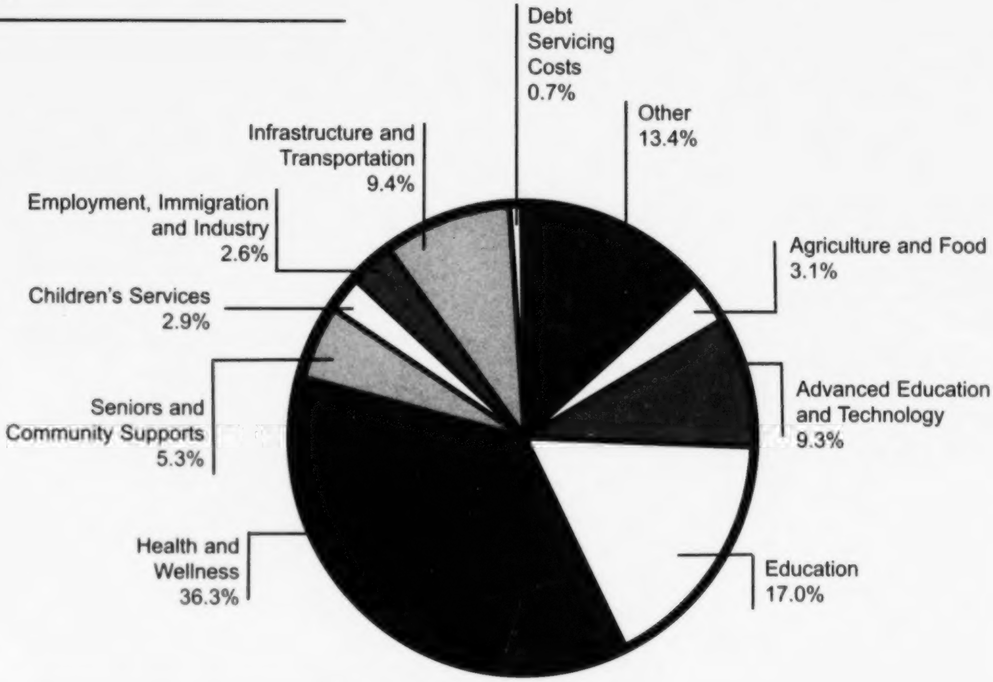
[a] Includes operating expense, capital grants, disaster/emergency assistance, natural gas rebates, amortization, consumption of inventories and nominal sum disposals.

Expense by Function

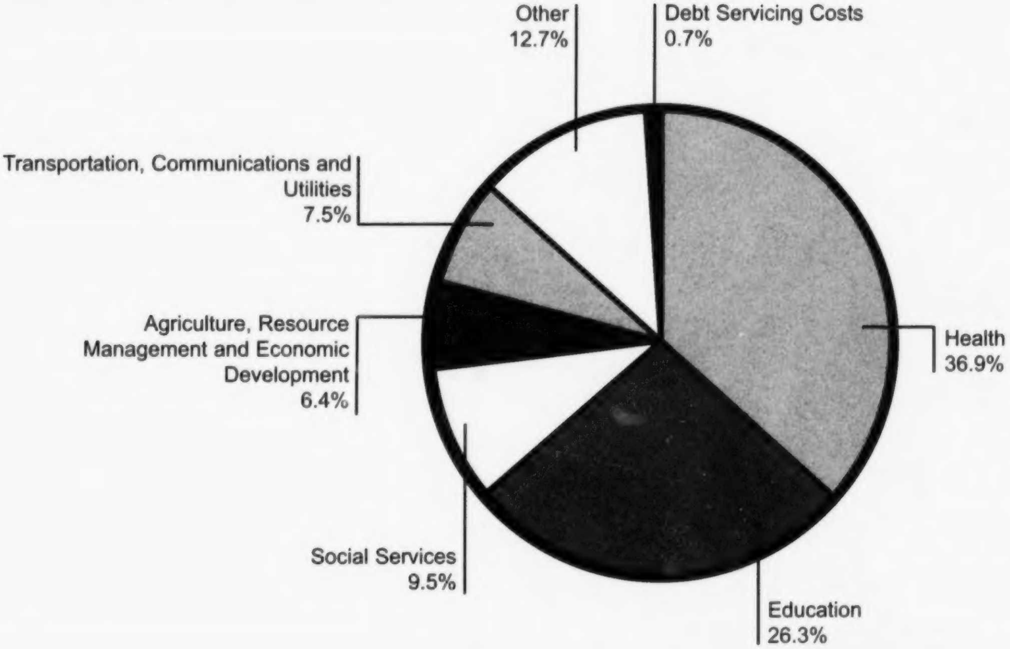
(millions of dollars)

	2005-06 Actual	2006-07 Budget	2006-07 Forecast	**2007-08 Estimate**	2008-09 Target	2009-10 Target
Health	9,709	10,466	10,879	**12,232**	12,813	13,073
Education	6,852	7,588	7,992	**8,724**	8,892	8,633
Social Services	2,710	2,964	2,911	**3,148**	3,225	3,274
Transportation, Communications and Utilities	2,329	2,031	2,197	**2,478**	2,419	2,439
Agriculture, Resource Management and Economic Development	1,837	1,886	1,996	**2,128**	2,006	1,980
Protection of Persons and Property	1,163	1,002	1,230	**1,176**	1,196	1,219
Regional Planning and Development	410	414	430	**735**	784	937
Recreation and Culture	371	322	314	**541**	477	332
Housing	292	198	256	**349**	328	250
Environment	198	201	228	**238**	244	241
General Government	872	995	1,017	**1,165**	1,164	1,189
Debt Servicing Costs	248	245	221	**235**	235	215
Total Expense	26,991	28,312	29,671	**33,149**	33,783	33,782

2007-08 Expense By Ministry
$33.1 billion



2007-08 Expense By Function
$33.1 billion



2007-08 Ministry Expense by Function

(millions of dollars)

	Health	Education	Social Services	Transportation[a]	Economic Development[b]	Protection of Persons and Property	Regional Planning and Development	Recreation and Culture	Housing	Environment	General Government	Debt Servicing Costs	Total Expense
Legislative Assembly	-	-	-	-	-	-	-	-	-	-	93	-	93
Advanced Education and Technology	-	2,864	-	-	228	-	-	-	-	-	-	-	3,092
Agriculture and Food	-	-	-	-	1,026	-	-	-	-	-	-	51	1,077
Children's Services	-	-	972	-	-	-	-	-	-	-	-	-	972
Education	-	5,619	-	-	-	-	-	-	-	-	-	6	5,625
Employment, Immigration and Industry	30	239	429	-	103	49	3	-	-	-	-	-	853
Energy	-	-	-	9	224	-	-	-	-	13	54	-	300
Environment	-	-	-	-	-	-	-	-	-	164	-	-	164
Executive Council	-	-	-	-	-	-	-	-	-	-	23	-	23
Finance	65	-	-	-	28	34	295	-	-	-	223	148	793
Health and Wellness	12,045	-	-	-	-	-	-	-	-	-	-	-	12,045
Infrastructure and Transportation	1	2	-	2,469	50	43	4	-	-	25	524	8	3,126
International, Intergovernmental and Aboriginal Relations	-	-	-	-	18	-	39	-	-	-	11	-	68
Justice	-	-	72	-	-	310	-	-	-	-	-	-	382
Municipal Affairs and Housing	-	-	19	-	-	44	393	26	314	-	40	22	858
Seniors and Community Supports	91	-	1,638	-	-	-	-	-	35	-	-	-	1,764
Service Alberta	-	-	-	-	3	97	-	-	-	-	179	-	279
Solicitor General and Public Security	-	-	18	-	-	487	-	2	-	-	-	-	507
Sustainable Resource Development	-	-	-	-	212	105	-	-	-	36	-	-	353
Tourism, Parks, Recreation and Culture	-	-	-	-	236	7	-	513	-	-	-	-	756
Treasury Board	-	-	-	-	-	-	1	-	-	-	18	-	19
Total Expense	**12,232**	**8,724**	**3,148**	**2,478**	**2,128**	**1,176**	**735**	**541**	**349**	**238**	**1,165**	**235**	**33,149**

[a] Transportation, Communications and Utilities.

[b] Agriculture, Resource Management and Economic Development.

2007-08 Ministry Expense by Object

(millions of dollars)

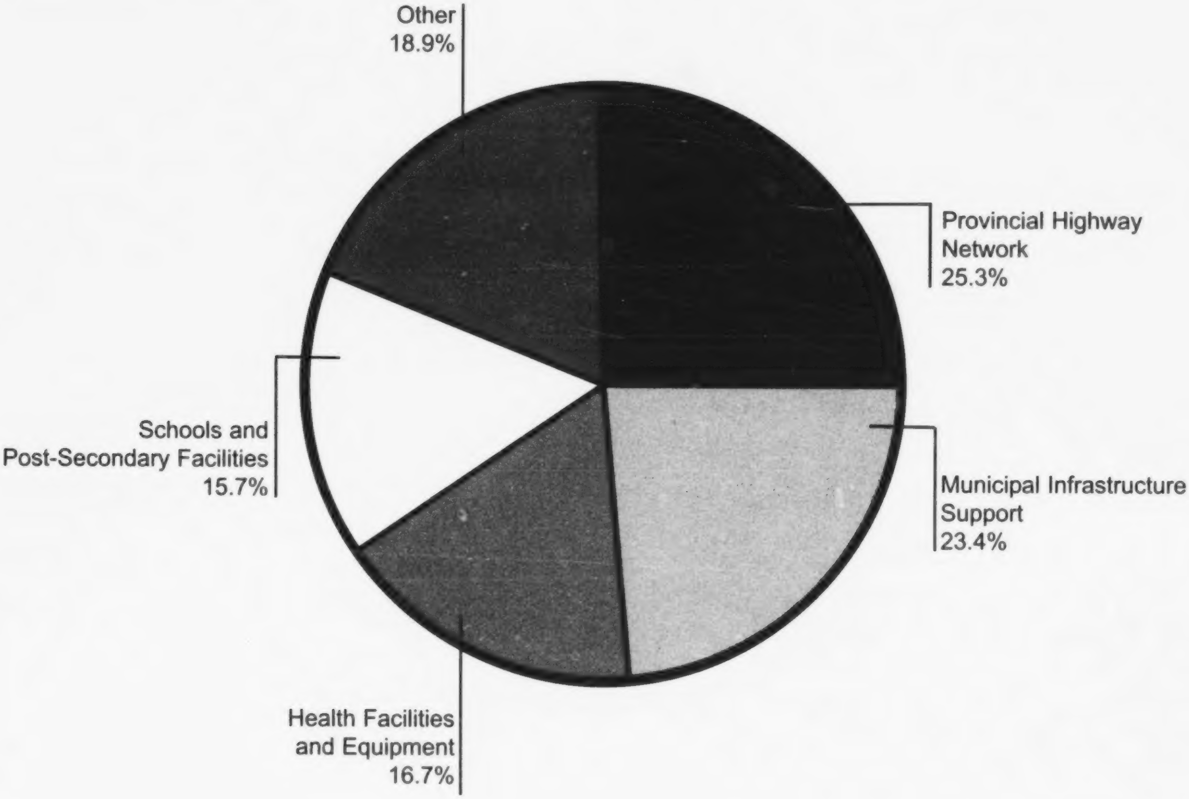
	Salaries, Wages, and Employee Benefits	Supplies and Services	Grants to Others	Internal Government Transfers	Financial Transactions and Others	Amortization of Capital Assets	Intra-Ministry Consolidation Adjustments	Ministry Expense	Inter-Ministry Consolidation Adjustments	Total Expense
Legislative Assembly	49	28	-	-	15	1	-	93	-	93
Advanced Education and Technology	99	90	2,903	40	-	8	(46)	3,094	(2)	3,092
Agriculture and Food	137	60	117	315	751	12	(315)	1,077	-	1,077
Children's Services	195	623	153	703	-	3	(705)	972	-	972
Education	63	88	5,467	-	6	1	-	5,625	-	5,625
Employment, Immigration and Industry	167	151	532	-	-	3	-	853	-	853
Energy	142	72	70	60	-	16	(60)	300	-	300
Environment	84	55	4	-	-	21	-	164	-	164
Executive Council	20	3	-	-	-	-	-	23	-	23
Finance	103	360	123	1,178	288	8	(1,089)	971	(178)	793
Health and Wellness	124	169	11,657	93	42	54	(94)	12,045	-	12,045
Infrastructure and Transportation	142	647	1,860	-	143	337	-	3,129	(3)	3,126
International, Intergovernmental and Aboriginal Relations	25	16	27	-	-	-	-	68	-	68
Justice	237	66	46	-	25	8	-	382	-	382
Municipal Affairs and Housing	51	27	733	60	23	26	(60)	860	(2)	858
Seniors and Community Supports	131	337	1,295	509	-	1	(509)	1,764	-	1,764
Service Alberta	143	162	-	-	-	40	-	345	(66)	279
Solicitor General and Public Security	200	227	79	1,455	-	1	(2)	1,960	(1,453)	507
Sustainable Resource Development	162	156	22	28	1	12	(24)	357	(4)	353
Tourism, Parks, Recreation and Culture	81	106	555	69	-	14	(69)	756	-	756
Treasury Board	13	6	-	-	-	-	-	19	-	19
Total Expense	**2,368**	**3,449**	**25,643**	**4,510**	**1,294**	**566**	**(2,973)**	**34,857**	**(1,708)**	**33,149**

Capital Plan

(millions of dollars)

	2005-06 Actual	2006-07 Budget	2006-07 Forecast	2007-08 Estimate	2008-09 Target	2009-10 Target	2007-10 Total
Municipal infrastructure support	1,047	1,016	1,119	**1,402**	1,382	1,478	4,262
Provincial highway network	769	1,093	1,001	**1,379**	1,720	1,515	4,614
Health facilities and equipment	662	752	900	**1,220**	1,139	684	3,043
Schools	243	346	578	**508**	494	276	1,278
Post-secondary facilities	191	282	400	**747**	611	225	1,583
Community facilities	245	122	139	**407**	298	114	819
Water and wastewater management	121	90	152	**209**	227	243	679
Housing, government facilities and equipment, and other capital	450	351	522	**665**	559	377	1,601
Capital for emergent projects	15	129	15	**166**	100	100	366
Total Capital Plan	3,743	4,181	4,826	**6,703**	6,530	5,012	18,245

2007-10 Capital Plan
$18.2 billion



Capital Plan Funding Details

(millions of dollars)

	2005-06 Actual	2006-07 Budget	2006-07 Forecast	2007-08 Estimate	2008-09 Target	2009-10 Target
Support for Local Authorities' Capital						
Current-year revenue	733	678	780	**2,036**	1,618	1,437
Capital Account	1,795	1,896	2,508	**2,564**	2,612	1,605
Sustainability Fund	7	-	-	**-**	-	-
Total Support for Local Authorities' Capital	2,535	2,574	3,288	**4,600**	4,230	3,042
Government-Owned Capital [a]						
Current-year revenue	596	646	698	**748**	865	902
Capital Account	494	813	692	**1,153**	1,430	1,036
Alternatively financed government-owned capital	118	148	148	**202**	5	32
Total Government-Owned Capital	1,208	1,607	1,538	**2,103**	2,300	1,970
Capital Plan						
Current-year revenue	1,329	1,324	1,478	**2,784**	2,483	2,339
Capital Account	2,289	2,709	3,200	**3,717**	4,042	2,641
Sustainability Fund	7	-	-	**-**	-	-
Alternatively financed government-owned capital	118	148	148	**202**	5	32
Total Capital Plan	3,743	4,181	4,826	**6,703**	6,530	5,012

[a] Includes provincial highway planning and rehabilitation projects which are included in program expense.

Capital Account

(millions of dollars)

	2005-06 Actual	2006-07 Budget	2006-07 Forecast	2007-08 Estimate	2008-09 Target	2009-10 Target
Assets at start of year	674	4,243	4,243	**6,092**	5,633	4,931
Allocations to Capital Account						
Current-year use	2,289	2,709	3,200	**2,258**	3,340	1,154
Future-year use	3,569	-	1,849	**-**	-	-
Cost escalation set-aside (not allocated)	-	-	-	**1,000**	-	-
Total Allocations to Capital Account	5,858	2,709	5,049	**3,258**	3,340	1,154
Withdrawals						
Capital grants to local authorities	(1,795)	(1,896)	(2,508)	**(2,564)**	(2,612)	(1,605)
Government-owned capital investment	(494)	(813)	(692)	**(1,153)**	(1,430)	(1,036)
Total Withdrawals	(2,289)	(2,709)	(3,200)	**(3,717)**	(4,042)	(2,641)
Assets at End of Year	4,243	4,243	6,092	**5,633**	4,931	3,444
Asset distribution						
Required for future-year commitments	4,243	4,243	6,092	**4,633**	3,931	2,444
Cost escalation set-aside (not allocated)	-	-	-	**1,000**	1,000	1,000

Capital Investment in Government-Owned Capital[a]

(millions of dollars)

	2005-06 Actual	2006-07 Budget	2006-07 Forecast	2007-08 Estimate	2008-09 Target	2009-10 Target
Legislative Assembly	2	1	1	**2**	1	1
Advanced Education and Technology	13	10	11	**11**	11	11
Agriculture and Food	15	10	16	**15**	11	11
Children's Services	4	4	4	**10**	2	2
Education	3	4	2	**1**	1	1
Employment, Immigration and Industry	3	4	9	**4**	4	4
Energy	15	18	18	**18**	18	13
Environment	4	3	3	**2**	2	2
Executive Council	-	-	-	**-**	-	-
Finance	5	6	7	**6**	6	4
Health and Wellness	42	76	62	**74**	62	62
Infrastructure and Transportation	896	1,278	1,105	**1,695**	1,859	1,579
International, Intergovernmental and Aboriginal Relations	1	-	-	**-**	-	-
Justice	6	22	19	**4**	3	2
Municipal Affairs and Housing	1	1	1	**1**	1	1
Seniors and Community Supports	1	1	1	**1**	1	1
Sustainable Resource Development	16	39	40	**32**	29	17
Service Alberta	13	16	26	**41**	39	25
Solicitor General and Public Security	2	-	11	**24**	24	16
Tourism, Parks, Recreation and Culture	41	26	38	**23**	21	21
Treasury Board	-	-	-	**-**	-	-
Total Capital Investment	1,083	1,519	1,374	**1,964**	2,095	1,773

[a] Includes inventory purchases. Not included in expense.

Comparison of the Capital Plan and Capital Expense

(millions of dollars)

	2005-06 Actual	2006-07 Budget	2006-07 Forecast	2007-08 Estimate	2008-09 Target	2009-10 Target
Capital Plan						
Capital grants to local authorities	2,535	2,574	3,288	**4,600**	4,230	3,042
Provincial highway planning and rehabilitation	125	88	164	**139**	205	197
Capital investment in government-owned projects	1,083	1,519	1,374	**1,964**	2,095	1,773
Total Capital Plan	3,743	4,181	4,826	**6,703**	6,530	5,012
Expense for Capital Purposes [a]						
Capital grants to local authorities	2,535	2,574	3,288	**4,600**	4,230	3,042
Provincial highway planning and rehabilitation	125	88	164	**139**	205	197
Amortization of government-owned capital	431	518	492	**566**	622	667
Nominal sum disposals	19	57	53	**59**	54	54
Total Expense for Capital Purposes	3,110	3,237	3,997	**5,364**	5,111	3,960

[a] Included in program expense.

Grants to Local Authorities for Capital Purposes and Other Capital Support[a]

(millions of dollars)

	2005-06 Actual	2006-07 Budget	2006-07 Forecast	**2007-08 Estimate**	2008-09 Target	2009-10 Target
Advanced Education and Technology	187	278	396	**743**	606	221
Agriculture and Food	25	29	60	**30**	36	29
Education	243	346	578	**508**	494	276
Employment, Immigration and Industry	-	-	-	**8**	-	-
Energy	-	-	-	**2**	2	-
Environment	6	1	8	**1**	1	1
Finance	4	4	4	**4**	4	4
Health and Wellness	620	676	838	**1,146**	1,078	622
Infrastructure and Transportation	1,243	1,169	1,349	**1,509**	1,513	1,483
Municipal Affairs and Housing	71	53	98	**454**	487	550
Seniors and Community Supports	92	25	40	**30**	10	-
Tourism, Parks, Recreation and Culture	169	81	81	**304**	204	53
Total Support	2,660	2,662	3,452	**4,739**	4,435	3,239

[a] Included in program expense. Includes project planning and highway rehabilitation costs.

Capital Amortization for Government-Owned Capital[a]

(millions of dollars)

	2005-06 Actual	2006-07 Budget	2006-07 Forecast	**2007-08 Estimate**	2008-09 Target	2009-10 Target
Legislative Assembly	1	1	-	**1**	1	1
Advanced Education and Technology	3	7	7	**8**	8	8
Agriculture and Food	9	10	11	**12**	12	12
Children's Services	2	1	1	**3**	4	4
Education	2	1	2	**1**	1	1
Employment, Immigration and Industry	2	3	3	**3**	3	3
Energy	13	16	15	**16**	16	16
Environment	19	20	20	**21**	22	22
Executive Council	-	-	-	**-**	-	-
Finance	7	7	7	**8**	7	7
Health and Wellness	34	47	47	**54**	60	64
Infrastructure and Transportation	274	313	296	**337**	382	423
International, Intergovernmental and Aboriginal Relations	-	-	-	**-**	-	-
Justice	2	3	3	**8**	8	8
Municipal Affairs and Housing	25	26	26	**26**	26	26
Seniors and Community Supports	1	1	1	**1**	1	1
Service Alberta	19	38	31	**40**	42	42
Solicitor General and Public Security	1	1	1	**1**	1	1
Sustainable Resource Development	7	11	11	**12**	13	13
Tourism, Parks, Recreation and Culture	10	12	10	**14**	15	15
Treasury Board	-	-	-	**-**	-	-
Total Capital Amortization	431	518	492	**566**	622	667

[a] Includes inventory consumption.

Operating Expense by Ministry[a]

(millions of dollars)

	2005-06 Actual	2006-07 Budget	2006-07 Forecast	2007-08 Estimate	2008-09 Target	2009-10 Target
Operating						
Legislative Assembly	66	73	71	**92**	83	86
Advanced Education and Technology	1,832	2,097	2,127	**2,341**	2,418	2,529
Agriculture and Food	885	953	726	**984**	952	959
Children's Services	809	917	903	**969**	983	992
Education	4,554	4,787	4,844	**5,110**	5,312	5,521
Employment, Immigration and Industry	777	888	878	**842**	846	851
Energy	185	203	211	**282**	312	298
Environment	115	122	127	**142**	146	142
Executive Council	18	22	22	**23**	24	24
Finance	538	581	629	**633**	655	688
Health and Wellness	8,918	9,595	9,849	**10,845**	11,475	12,178
Infrastructure and Transportation	614	648	646	**760**	808	829
International, Intergovernmental and Aboriginal Relations	62	69	70	**68**	59	57
Justice	297	345	349	**374**	396	413
Municipal Affairs and Housing	256	255	269	**337**	346	357
Seniors and Community Supports	1,469	1,610	1,566	**1,733**	1,789	1,822
Service Alberta	211	232	236	**239**	242	246
Solicitor General and Public Security	415	453	457	**506**	522	533
Sustainable Resource Development	203	223	223	**287**	287	292
Tourism, Parks, Recreation and Culture	365	385	365	**437**	472	480
Treasury Board	7	10	9	**19**	20	20
Total Operating Expense	22,596	24,468	24,577	**27,023**	28,147	29,317

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[a] Excludes capital grants, disaster/emergency assistance, natural gas rebates, amortization and nominal sum disposals.

Disaster/Emergency Assistance and Natural Gas Rebates

(millions of dollars)

	2005-06 Actual	2006-07 Budget	2006-07 Forecast	2007-08 Estimate	2008-09 Target	2009-10 Target
Disaster/Emergency Assistance						
Agriculture and Food	135	-	261	**-**	-	-
Municipal Affairs and Housing	173	-	4	**-**	-	-
Sustainable Resource Development	95	-	248	**50**	-	-
Natural Gas Rebates						
Infrastructure and Transportation	634	362	363	**477**	290	290
Total Disaster/Emergency and Natural Gas Rebates	1,037	362	876	**527**	290	290

Nominal Sum Disposals[a]

(millions of dollars)

	2005-06 Actual	2006-07 Budget	2006-07 Forecast	2007-08 Estimate	2008-09 Target	2009-10 Target
Nominal Sum Disposals						
Infrastructure and Transportation	-	30	30	**35**	30	30
Municipal Affairs and Housing	19	19	19	**19**	19	19
Sustainable Resource Development	-	4	4	**4**	4	4
Tourism, Parks, Recreation and Culture	-	4	-	**1**	1	1
Total Nominal Sum Disposals	19	57	53	**59**	54	54

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[a] Nominal sum disposals are assets that have been sold or disposed of for an amount substantially lower than fair market value. The fair market value for the asset, less any proceeds, is treated as a grant-in-kind expense.

Sustainability Fund Details

(millions of dollars)

	2005-06 Actual	2006-07 Budget	2006-07 Forecast	2007-08 Estimate	2008-09 Target	2009-10 Target
Assets at start of year	3,498	4,083	4,083	**7,655**	7,655	7,655
Transfers to (withdrawals from) Sustainability Fund						
Non-renewable resource revenue transfer from general revenue	9,597	6,054	6,400	**4,960**	3,966	2,487
Other net transfers	3,109	-	4,372	**-**	-	-
Cost of Alberta 2005 Resource Rebate	(1,323)	-	-	**-**	-	-
Withdrawals for disaster/emergency/natural gas rebates	(1,037)	(362)	(876)	**(527)**	(290)	(290)
Net transfers (withdrawals)	10,346	5,692	9,896	**4,433**	3,676	2,197
Adjustments						
Cash adjustments	(300)	(464)	738	**(376)**	399	(178)
Retained income of funds and agencies	(522)	(282)	(686)	**(365)**	(430)	(554)
Fourth quarter results						
Cash transferred from previous year	696	-	1,095	**-**	-	-
Cash to be transferred following year	(1,095)	-	-	**-**	-	-
Assets transferred to Capital Account						
Current-year use	(2,289)	(2,709)	(3,200)	**(2,258)**	(3,340)	(1,154)
Cost escalation set-aside (not allocated)	-	-	-	**(1,000)**	-	-
Total adjustments	(3,510)	(3,455)	(2,053)	**(3,999)**	(3,371)	(1,886)
Assets prior to reallocation	10,334	6,320	11,926	**8,089**	7,960	7,966
Allocation to:						
Capital Account - future-year use	(3,569)	-	(1,849)	**-**	-	-
Heritage Fund - deposit	(1,000)	(1,000)	(1,000)	**-**	-	-
Heritage Fund - inflation proofing	(382)	(242)	(202)	**(284)**	(305)	(311)
Advanced education endowment (in the Heritage Fund)	(750)	-	(250)	**-**	-	-
Scholarship Fund	(250)	(20)	(20)	**-**	-	-
Medical Research Endowment Fund	(200)	(150)	(150)	**(150)**	-	-
Science and Engineering Endowment Fund	(100)	-	(100)	**-**	-	-
Energy Innovation Fund	-	-	(200)	**-**	-	-
Alberta Cancer Prevention Legacy Fund	-	(500)	(500)	**-**	-	-
Assets at End of Year	4,083	4,408	7,655	**7,655**	7,655	7,655
Assets at end of year above $2.5 billion target	1,583	1,908	5,155	**5,155**	5,155	5,155

Cash Adjustments

(millions of dollars)

	2005-06 Actual	2006-07 Budget	2006-07 Forecast	2007-08 Estimate	2008-09 Target	2009-10 Target
Energy royalties	(302)	(419)	903	**(313)**	496	(85)
Student loans	(30)	(22)	(43)	**(43)**	(39)	(35)
Other	32	(23)	(122)	**(20)**	(58)	(58)
Total Cash Adjustments	(300)	(464)	738	**(376)**	399	(178)

Retained Income of Funds and Agencies

(millions of dollars)

	2005-06 Actual	2006-07 Budget	2006-07 Forecast	2007-08 Estimate	2008-09 Target	2009-10 Target
Alberta Treasury Branches	199	217	280	**262**	288	324
Agriculture Financial Services Corporation	174	58	221	**100**	115	128
Endowment Funds						
Medical Research	58	6	97	**35**	43	48
Science and Engineering Research	40	3	65	**28**	30	32
Scholarship	21	2	37	**15**	17	22
Alberta Cancer Prevention Legacy Fund	-	(10)	(9)	**(5)**	(5)	(5)
Energy Innovation Fund	-	-	(25)	**(78)**	(64)	-
Other	30	6	20	**8**	6	5
Total Retained Income of Funds and Agencies	522	282	686	**365**	430	554

Capital Investment Cash Requirements

(millions of dollars)

	2005-06 Actual	2006-07 Budget	2006-07 Forecast	2007-08 Estimate	2008-09 Target	2009-10 Target
Capital Investment Cash Requirements						
Capital investment	1,083	1,519	1,374	**1,964**	2,095	1,773
Principal repayment for alternatively financed projects	-	-	-	**2**	5	7
Total Requirements	1,083	1,519	1,374	**1,966**	2,100	1,780
Sources of Cash for Investments						
Capital amortization	431	518	492	**566**	622	667
Net book value of capital asset disposals/other	40	40	42	**45**	43	45
Alternatively financed capital investment	118	148	148	**202**	5	32
Funding from Capital Account	494	813	692	**1,153**	1,430	1,036
Total Sources	1,083	1,519	1,374	**1,966**	2,100	1,780

Balance Sheet Details

(millions of dollars)

	At March 31				
	2006 Actual	2007 Forecast	**2008 Estimate**	2009 Target	2010 Target
Financial Assets					
Total Heritage Fund equity	13,495	14,947	**15,231**	15,536	15,847
Less internal holdings of debt [a]	(81)	-	**-**	-	-
Heritage Fund external investments	13,414	14,947	**15,231**	15,536	15,847
Endowment funds					
Alberta Heritage Foundation for Medical Research	1,129	1,376	**1,562**	1,605	1,653
Alberta Heritage Science and Engineering Research	677	842	**870**	900	932
Alberta Heritage Scholarship	521	578	**593**	610	632
Alberta Cancer Prevention Legacy Fund	-	491	**486**	481	476
Energy Innovation Fund	-	175	**97**	33	33
Sustainability Fund	4,083	7,655	**7,655**	7,655	7,655
Capital Account	4,243	6,092	**5,633**	4,931	3,444
Debt Retirement Account	2,197	2,035	**1,789**	1,165	1,097
Self-supporting lending organizations					
Alberta Capital Finance Authority	4,774	5,024	**5,612**	6,159	6,653
Agriculture Financial Services Corporation	1,843	1,942	**2,290**	2,448	2,593
Other financial assets					
Equity in commercial enterprises	1,719	1,955	**2,210**	2,499	2,823
Contingency Allowance [b]	-	-	**314**	637	970
Student loans	153	170	**187**	206	227
Other cash, marketable securities and accounts receivable	7,033	5,190	**5,566**	5,167	5,345
Total Financial Assets	41,786	48,472	**50,095**	50,032	50,380
Liabilities					
Accumulated debt					
General Revenue Fund	2,538	2,579	**2,563**	2,030	2,023
Alberta Social Housing Corporation	422	321	**300**	278	254
School construction loans	381	316	**256**	204	160
Less General Revenue Fund holdings of provincial corporations' debt	(1,146)	(1,186)	**(1,335)**	(1,352)	(1,345)
Accumulated debt	2,195	2,030	**1,784**	1,160	1,092
Pension obligations	5,435	5,590	**5,707**	5,838	5,990
Self-supporting lending organizations					
Alberta Capital Finance Authority	4,774	5,024	**5,612**	6,159	6,653
Agriculture Financial Services Corporation [d]	1,424	1,321	**1,570**	1,614	1,632
Liabilities for government-owned capital	126	274	**474**	474	499
Other liabilities					
Accounts and interest payable [d]	4,830	4,747	**4,748**	4,763	4,782
Guarantees, indemnities and remissions	13	15	**15**	15	15
Other accrued liabilities	187	195	**198**	201	204
Less other debt internally held by consolidated entities	(81)	-	**-**	-	-
Total Liabilities	18,903	19,196	**20,108**	20,224	20,867
Net Financial Assets	22,883	29,276	**29,987**	29,808	29,513
Capital assets	11,552	12,392	**13,747**	15,182	16,250
Net Assets	34,435	41,668	**43,734**	44,990	45,763
Adjustment for pension obligations	5,435	5,590	**5,707**	5,838	5,990
Net Assets for Fiscal Policy Purposes [c]	39,870	47,258	**49,441**	50,828	51,753

[a] $81 million of Alberta Social Housing Corporation debt held by the Heritage Fund was repaid in 2006-07.

[b] Cumulative total of Contingency Allowance available for in-year initiatives, but not yet committed.

[c] Under the *Fiscal Responsibility Act*. Excludes pension obligations.

[d] In *Budget 2006*, the internally held debt of Agriculture Financial Services Corporation was reported in Accounts and interest payable.
It is now reported under Agriculture Financial Services Corporation: 884 942 1,146 1,184 1,199

Accumulated Debt

(millions of dollars)

	2005-06 Actual	2006-07 Forecast	2007-08 Estimate	2008-09 Target	2009-10 Target
Accumulated debt at start of year	3,475	2,195	**2,030**	1,784	1,160
Repayment of debt maturities	(1,280)	(165)	**(246)**	(624)	(68)
Accumulated debt at end of year	2,195	2,030	**1,784**	1,160	1,092
Less Debt Retirement Account	2,197	2,035	**1,789**	1,165	1,097
Accumulated Debt less Debt Retirement Account [a]	(2)	(5)	**(5)**	(5)	(5)

[a] The assets in the Debt Retirement Account are expected to exceed unmatured accumulated debt by $5 million.

Capital Assets

(millions of dollars)

	2005-06 Actual	2006-07 Forecast	2007-08 Estimate	2008-09 Target	2009-10 Target
Net book value at start of year	10,921	11,552	**12,392**	13,747	15,182
Capital investment	1,083	1,374	**1,964**	2,095	1,773
Capital amortization	(431)	(492)	**(566)**	(622)	(667)
Net book value of capital asset disposals	(21)	(42)	**(43)**	(38)	(38)
Net Book Value of Capital Assets at End of Year	11,552	12,392	**13,747**	15,182	16,250

Pension Obligations[a]

(millions of dollars)

	At March 31 2006 Actual	2007 Forecast	2008 Estimate	2009 Target	2010 Target
Obligations for Employees of Organizations outside the Government Reporting Entity					
Teachers' Pension Plans	4,424	4,565	**4,704**	4,863	5,044
Universities Academic Pension Plan	190	196	**201**	205	209
Special Forces Pension Plan	63	58	**59**	59	60
	4,677	4,819	**4,964**	5,127	5,313
Obligations for Current and Former Government Employees and MLAs					
Public Service Management Pension Plan [b]	678	722	**696**	666	634
Members of the Legislative Assembly Pension Plan [b]	49	49	**47**	45	43
Management Employees Pension Plan	29	-	**-**	-	-
Public Service Pension Plan	2	-	**-**	-	-
	758	771	**743**	711	677
Total Pension Obligations	5,435	5,590	**5,707**	5,838	5,990

[a] Pension obligations are scheduled for elimination under a 1993 legislated plan.

[b] Membership closed and pensionable service no longer being accrued.

Debt Servicing Costs

(millions of dollars)

	2005-06	2006-07	2006-07	2007-08	2008-09	2009-10
	Actual	Budget	Forecast	Estimate	Target	Target
Agriculture and Food						
Agriculture Financial Services Corporation	45	48	46	**51**	58	59
Education						
Alberta School Foundation Fund	4	6	6	**6**	6	7
Finance						
General government	175	169	146	**148**	132	108
Infrastructure and Transportation						
Financing costs for government-owned capital (P3s)	-	-	-	**8**	18	22
Municipal Affairs and Housing						
Alberta Social Housing Corporation	24	23	23	**22**	21	19
Total Debt Servicing Costs	248	246	221	**235**	235	215

General Revenue Fund Term Debt Maturities[a]

	Par Amount (Cdn$ millions)	Coupon Rate (%)	Maturity Date
2007-08 Term Debt Maturities			
1999 Canadian medium-term note	166	5.65	October 1, 2007
Total	**166**		
2008-09 Term Debt Maturities			
1998 Canadian medium-term note	50	5.80	June 5, 2008
1998 Canadian debenture	500	5.00	December 16, 2008
Total	**550**		
2009-10 Term Debt Maturities	NO GENERAL REVENUE FUND TERM DEBT MATURITIES		
2010-13 Term Debt Maturities			
1991 Canada Pension Plan debenture	202	10.45	March 1, 2011
1992 Canada Pension Plan debenture	281	9.92	March 2, 2012
1993 Canada Pension Plan debenture	196	9.37	March 1, 2013
Total	**679**		

[a] Does not include principal repayment on General Revenue Fund notes on-lent to Alberta Financial Services Corporation and Alberta Social Housing Corporation. There is no more General Revenue Fund debt left after March 1, 2013. Other components of accumulated debt include:

- Alberta Social Housing Corporation debt of $439 million, $173 million of which remains to be repaid from 2013-2030.
- School construction loans of $381 million, $66 million of which remains to be repaid from 2013-2020.

The Debt Retirement Account has assets to repay all these amounts.

Net Financing Requirements[a]

(millions of dollars)

	2005-06	2006-07	2006-07	2007-08	2008-09	2009-10
	Actual	Budget	Forecast	Estimate	Target	Target
Requirements						
General Revenue Fund term debt maturities	1,150	-	-	**166**	550	-
School construction loans	70	65	65	**59**	52	44
Alberta Social Housing Corporation [b]	60	108	100	**21**	22	24
Accumulated debt maturities	1,280	173	165	**246**	624	68
Agriculture Financial Services Corporation's term borrowing	141	200	120	**300**	220	100
Gross financing requirements	1,421	373	285	**546**	844	168
Cash applied to accumulated debt repayment	1,280	173	165	**246**	624	68
Net Term Debt Financing Requirements	141	200	120	**300**	220	100

[a] Does not include alternative financing for government-owned capital projects.

[b] $81 million of Alberta Social Housing Corporation debt held by the Heritage Fund was repaid in 2006-07.

Loans and Advances[a]

(millions of dollars)

	At March 31	
	2006 Actual	2007 Forecast
Loans and Advances		
Agriculture Financial Services Act	1,011	1,074
Student Financial Assistance Act	240	254
Alberta Heritage Savings Trust Fund Act		
Ridley Grain Ltd.	190	186
Vencap Acquisition Corporation	2	2
Farm Credit Stability Act	8	4
Alberta Housing Act	20	25
Financial Administration Act		
Accountable advances	11	11
Board of Governors, University of Alberta	1	1
	1,483	1,557
Allowance for doubtful loans, advances, implemented guarantees and indemnities		
Ridley Grain Ltd.	(90)	(90)
Student Loan Relief Completion Payments	(54)	(55)
Other	(71)	(70)
	(215)	(215)
Total Loans and Advances	1,268	1,342

[a] When a loan is considered impaired, accrued interest is no longer included in income. This does not alter the borrower's obligation to pay all accrued interest.

Guarantees

(millions of dollars)

	At March 31	
	2006 Actual	2007 Forecast
Guarantees		
Student Financial Assistance Act	22	17
Alberta Housing Act	29	20
Feeder Associations	49	49
Agriculture Financial Services Act	30	27
Farm Credit Stability Act	8	5
Securities Act	2	2
University of Calgary	1	1
	141	121
Estimated Liability		
Loan guarantees	(11)	(11)
Student Loan Relief Completion Payments	-	(1)
	(11)	(12)
Total Guarantees	130	109

2007-08 Allocation of Lottery Fund Revenue

(thousands of dollars)

Lottery Fund Revenue	**1,454,407**
Advanced Education and Technology	
Research capacity	28,400
Post-secondary facilities infrastructure	16,000
Community education	15,600
Energy research	15,200
Life sciences research	11,985
Information and Communications Technology Research	11,458
Achievement scholarships	3,100
Learning television	2,300
Agriculture and Food	
Agricultural service boards	10,600
Agricultural Societies	8,670
Agriculture initiatives	2,950
Children's Services	
Family and Community Support Services	45,000
Prevention of family violence and bullying	6,500
Fetal Alcohol Spectrum Disorder initiatives	4,000
Education	
Public and separate schools support	60,800
School facilities infrastructure	60,300
High speed network	8,000
Employment, Immigration and Industry	
Summer Temporary Employment Program	8,195
Settlement services and enhanced language training	4,574
Environment	
Educational awareness	500
Health and Wellness	
Human tissue and blood services	115,000
Alberta Alcohol and Drug Abuse Commission	84,497
Health facilities infrastructure	50,000
Community-based health services	30,000
Infrastructure and Transportation	
Provincial highway rehabilitation	55,000
Rural Transportation Partnerships	40,000
Alberta Cities Transportation Partnerships	30,000
Streets Improvement Program	25,000
Water for Life	25,000
International, Intergovernmental and Aboriginal Relations	
Aboriginal initiatives	200
Municipal Affairs and Housing	
Unconditional municipal grants	14,000
Municipal sponsorship	12,000
Solicitor General and Public Security	
Gaming research	1,600
Tourism, Parks, Recreation and Culture	
Major Community Facilities Program	140,000
Recreation and sports facilities grants	90,000
Horse Racing and Breeding Renewal Program	56,000
Major fairs and exhibitions	53,360
First Nations Development Fund	40,000
Community Facilities Enhancement Program	38,500
Community Initiatives Program	30,000
Alberta Foundation for the Arts	26,634
Alberta Sport, Recreation, Parks and Wildlife Foundation	23,470
Alberta Film Development Program	18,285
Bingo Associations	10,000
Alberta Historical Resources Foundation	8,587
Wild Rose Foundation	8,516
Human Rights, Citizenship and Multiculturalism Education Fund	1,865
Hosting major athletic events	500
Other initiatives	11,088
Finance	
Transfer to the Contingency Allowance/ Sustainability Fund	91,173
Total Lottery Fund Allocation	**1,454,407**

Full-Time Equivalent Employment

	2006-07 Budget[a]	2007-08 Estimate	Change	Main Reasons for Change
Legislative Assembly	447	**446**	(1)	
Advanced Education and Technology	1,172	**1,167**	(5)	Reorganization redeployment
Agriculture and Food	1,661	**1,729**	68	Contract replaced by own staff
Children's Services	2,689	**2,769**	80	Caseload increases/contract conversion
Education	697	**697**	-	
Employment, Immigration and Industry	2,001	**2,073**	72	Workplace safety/immigration/statistics
Energy	1,499	**1,578**	79	Higher workload/energy strategy
Environment	804	**842**	38	Oilsands policy/aboriginal consultation
Executive Council	167	**175**	8	Governance review/policy coordination
Finance	940	**997**	57	Fiscal planning/Securities Commission
Health and Wellness	1,518	**1,554**	36	System support requirements
Infrastructure and Transportation	1,754	**1,754**	-	
International, Intergovernmental and Aboriginal Relations	228	**234**	6	Aboriginal consultation
Justice	2,510	**2,666**	156	Prosecutors/court staff/legal services
Municipal Affairs and Housing	501	**555**	54	Local government/public safety
Seniors and Community Supports	1,962	**1,998**	36	AISH delivery/Public Guardian
Service Alberta	1,830	**1,855**	25	Land titles volume
Solicitor General and Public Security	2,591	**2,927**	336	Corrections staffing/traffic safety
Sustainable Resource Development	1,914	**2,001**	87	Pine beetle/aboriginal consultation
Tourism, Parks, Recreation and Culture	964	**1,072**	108	Parks/heritage facilities/tourism
Treasury Board	73	**115**	42	Capital management/Controller
Discontinued ministries	27	**-**	(27)	
Total Full-Time Equivalent Employment	27,949	**29,204**	1,255	

[a] The 2006-07 Budget has been increased by 345 FTEs to be on a comparable basis with the 2007-08 Estimate.

Premiums, Fees and Licences Changes

	2006-07	2007-08
TOURISM, PARKS, RECREATION AND CULTURE		
Parks Programs		
Grazing fees (per animal unit month)		
Zone A (Southern, Central Alberta)	$2.79	$3.35
Zone B (Northern Alberta)	$2.32	$2.78
Mineral Surface Lease		
Annual fee, per acre	$500	$1,500
Pipeline		
Installation fee (one-time, per acre)	$250	$1,500
Additional pipeline (same right-of-way, per acre)	$100	$500
Water, Sewer and Garbage Rates (Cypress Hills)		
Summer cabins (per annum)		
Water	$120	$130
Sewer	$120	$130
Garbage collection	$36	$40
Commercial (per annum)		
Water	$600	$660
Sewer	$600	$660
Garbage collection	$120	$130
Institutional (per annum)		
Water	$300	$330
Sewer	$300	$330
Garbage collection	$60	$65
Water Services		
Turn on / turn off	$50	$55
Water from well at curling rink (per cubic metre)	$1.00	$1.10
Staff Housing Utility Rates (monthly)		
Water and sewer	$30	$35
Power	$55	$60
Heating		
- May to August	$20	$25
- September to April	$85	$90
Heritage Programs		
Archaeological and Palaeontological permit fees		
Permit	$350	$500
Amendment	$150	$250
ENVIRONMENT		
Environmental Management		
New remediation certificate application fee	-	$1,000
SOLICITOR GENERAL AND PUBLIC SECURITY		
Public Security		
One-time authorization fee for municipalities employing peace officers	-	$1,000
One-time authorization fee for additional peace officers	-	$100

Major Provincial Tax Rates, 2007

		AB	BC	SK	MB	ON	QC	NB	NS	PE	NL
Personal Income Tax											
Statutory rate range											
– lowest rate	(%)	10.00	5.70	11.00	10.90	6.05	16.00[a]	10.12	8.79	9.80	10.57
– highest rate	(%)	10.00	14.70	15.00	17.40	11.16	24.00[a]	17.95	17.50	16.70	18.02
Surtax	(%)	—	—	—	—	20.0/36.0	—	—	10.0	10.0	9.0
Credit amounts											
– Personal amount	($)	15,435	9,027	8,778	7,834	8,553	6,650	8,239	7,481	7,412	7,410
– Spousal amount	($)	15,435	7,729	8,778	6,482	7,262	6,650	6,996	6,352	6,294	6,055
Corporate Income Tax											
General rate	(%)	10.0	12.0	14.0[b]	14.0	14.0	9.9	13.0	16.0	16.0	14.0
M&P rate	(%)	10.0	12.0	10-14[c]	14.0	12.0	9.9	13.0	16.0	16.0	5.0
Small business											
– rate	(%)	3.0	4.5	4.5	3.0	5.5	8.0	5.0	5.0	4.3	5.0
– threshold	($000)	430	400	400[b]	400	400	400	400	400	400	300
Capital Tax											
General	(max.%)	—	—	0.3[b]	0.50	0.285	0.49	0.20	0.25[d]	—	—
Financial institutions	(max.%)	—	3.00	3.25	3.00	0.855	1.23[e]	3.00	4.00	5.00	4.00
Retail Sales Tax	(%)	—	7.0	5.0	7.0	8.0	7.5[f]	8.0	8.0	10.0[f]	8.0
Gasoline Tax	(¢/litre)	9.0	14.5[g]	15.0	11.5	14.7	15.2[g,h]	10.7[h]	15.5[h]	20.8[i]	16.5[h]
Tobacco Tax	($/carton)	37.00	35.80	36.60[h]	35.00[h]	24.70	20.60	23.50[h]	33.04[h]	34.90	36.00[h]
Payroll Tax	(max.%)	—	—	—	2.15	1.95	4.26[j]	—	—	—	2.00

Rates for other provinces known as of March 30, 2007.

[a] Quebec residents receive an abatement of 16.5% of basic federal tax in lieu of federal cash transfers to Quebec for several social programs.

[b] The general corporate rate will be reduced to 13% effective July 1, 2007. At the same time, Saskatchewan's small business income threshold will increase from $400,000 to $450,000 and the general capital tax will fall from 0.3% to 0.15%.

[c] The general corporate tax rate is reduced by up to 4 points based on the share of a corporation's national manufacturing and processing income allocated to Saskatchewan. The maximum M&P reduction will fall to 3 points effective July 1, 2007 when the general tax rate becomes 13%.

[d] Effective July 1, 2007, Nova Scotia's general capital tax will decrease from 0.25% to 0.2%.

[e] The Quebec financial institutions capital tax includes the base rate of 0.98% and a compensatory tax of 0.25%.

[f] These provinces apply their retail sales tax on the retail price of the good inclusive of the GST.

[g] An additional 6¢/litre is imposed in the greater Vancouver area, 2.5¢/litre in Victoria and 1.5¢/litre in Montreal.

[h] These provinces apply their retail sales taxes on the retail price of the good inclusive of the particular excise tax.

[i] This rate is based on an 11.5 ¢/litre base rate and 10.7% of the average wholesale price and is recalculated on a monthly basis.

[j] Quebec levies an additional 1% compensatory tax on the wages paid by financial institutions that is not included in this rate.

Key Energy and Economic Assumptions

Fiscal Year Assumptions	2004-05 Actual	2005-06 Actual	2006-07	2007-08	2008-09	2009-10
Prices						
Crude Oil Price						
WTI (US$/bbl)	45.03	59.97	64.97	58.00	54.25	52.50
Alberta Wellhead (Cdn$/bbl)[a]	48.23	59.42	63.13	58.72	54.49	53.37
Bitumen @ Edmonton (Cdn/$bbl)[b]	25.67	33.52	36.53	28.29	26.93	26.42
Natural Gas Price						
Alberta Reference Price (Cdn$/GJ)	6.05	8.29	5.95	6.75	6.50	6.25
Production						
Conventional crude oil (000's barrels/day)	589	557	531	502	491	479
Non-conventional crude oil (000's barrels/day)	989	1,083	1,247	1,390	1,594	1,864
Natural gas (billions of cubic feet)	5,253	5,240	5,267	5,198	5,124	5,038
Interest rates						
3-month Canada treasury bills (%)	2.28	2.98	4.14	4.05	4.25	4.50
10-year Canada bonds (%)	4.54	4.04	4.20	4.25	4.50	4.75
Exchange Rate (US¢/Cdn$)	78.4	83.9	87.9	86.0	86.9	87.0

Calendar Year Assumptions	2005 Actual	2006 Actual	2007	2008	2009	2010
Gross Domestic Product						
Nominal (millions of dollars)	218,432	242,346[c]	258,104	274,057	285,473	297,874
% change	15.7	10.9	6.5	6.2	4.2	4.3
Real (millions of 1997 dollars)	142,896	152,701[c]	158,487	164,065	169,871	175,678
% change	4.6	6.9	3.8	3.5	3.5	3.4
Other Indicators						
Employment (thousands)	1,784	1,871	1,927	1,972	2,008	2,042
% change	1.5	4.8	3.0	2.3	1.9	1.7
Unemployment rate (%)	3.9	3.4	3.9	4.0	4.0	4.0
Personal Income	125,245	138,768[c]	149,337	159,186	168,461	177,109
Corporate Profits	52,424	57,341[c]	56,525	56,850	53,543	52,108
Housing starts (number of units)	40,847	48,962	48,900	46,900	45,300	43,300
Alberta Consumer Price Index (% change)	2.1	3.9	3.0	2.8	2.1	1.9
Population (thousands)	3,277.6	3,375.8	3,476.2	3,567.3	3,644.4	3,715.9
% change	2.2	3.0	3.0	2.6	2.2	2.0

[a] Refers to the average price per barrel of Alberta light, medium and heavy oil.

[b] The bitumen price is an estimate prepared by Alberta Energy of the price at Edmonton and is not an actual market price.

[c] Estimated.

Sensitivities to Fiscal Year Assumptions, 2007-08[a]

(millions of dollars)

	Annual Change	Revenue	Spending	Net Change
Oil Price (WTI US$/bbl)	-$1.00	-139	--	-139
Natural Gas Price (Cdn$/GJ)	-10¢	-98	--	-98
Exchange Rate (US¢/Cdn$)	+1¢	-123	--	-123
Interest Rates	1%	-227	+5	-232
Personal Income ($million)	-100	-6	--	-6
Corporate Profits ($million)	-100	-8	--	-8

[a] Sensitivities are based on current assumptions of prices and rates and show the effect for a full 12 month period. Sensitivities can vary significantly at different price and rate levels. The energy price sensitivities do not include the potential impact of price changes on the revenue from land sales. The interest rate sensitivity has two components, an increase in cash interest income and a capital loss. When interest rates rise, bond prices go down, causing a capital loss.

Historical Fiscal Summary, 1988-89 to 2009-10[a]

(millions of dollars)

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V
		1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 Forecast	2007-08 Estimate	2008-09 Target	2009-10 Target
INCOME STATEMENT																							
	Revenue																						
1	Personal income tax [b]	2,039	2,536	2,796	3,057	2,794	2,877	3,063	3,177	3,445	3,877	4,601	5,100	3,943	4,183	4,834	4,613	4,649	4,677	7,519	7,318	7,804	8,272
2	Corporate income tax	697	700	803	731	637	854	1,073	1,332	1,407	1,849	1,659	1,255	2,023	2,229	2,019	1,696	2,364	2,917	3,595	3,126	3,078	3,177
3	Education property tax	769	824	915	1,027	1,115	1,168	1,196	1,205	1,169	1,212	1,118	1,128	1,151	1,094	1,113	1,178	1,247	1,283	1,306	1,378	1,440	1,505
4	Other tax revenue	679	683	878	1,029	1,055	1,053	1,126	1,112	1,157	1,218	1,178	1,241	1,386	1,469	1,633	1,838	1,918	1,990	2,092	2,252	2,328	2,341
5	Resource revenue	2,085	2,240	2,688	2,022	2,183	2,817	3,378	2,786	4,034	3,778	2,368	4,650	10,586	6,227	7,130	7,676	9,744	14,347	11,700	10,260	9,266	7,787
6	Investment income	1,834	1,891	2,125	2,155	1,711	1,837	1,567	1,724	1,616	1,747	1,610	1,906	1,353	788	(462)	1,838	1,812	2,348	3,101	2,500	2,503	2,560
7	Other own-source revenue	1,662	2,022	1,615	1,566	2,319	2,710	2,832	2,431	2,473	2,890	2,950	3,183	3,272	3,672	4,321	4,122	4,375	4,588	4,660	4,783	4,938	5,115
8	Total own-source revenue	9,765	10,896	11,820	11,587	11,814	13,316	14,235	13,767	15,301	16,571	15,484	18,463	23,714	19,662	20,588	22,961	26,109	32,150	33,973	31,617	31,357	30,757
9	Federal transfers	2,135	1,943	2,365	2,150	2,457	2,090	1,929	1,748	1,351	1,183	1,335	1,640	1,813	2,264	2,074	2,926	3,219	3,392	3,086	3,715	3,813	3,950
10	Total Revenue	11,900	12,839	14,185	13,737	14,271	15,406	16,164	15,515	16,652	17,754	16,819	20,103	25,527	21,926	22,662	25,887	29,328	35,542	37,059	35,332	35,170	34,707
	Expense by Function [c]																						
11	Health	3,372	3,631	3,895	4,129	4,352	4,194	3,928	3,773	4,006	4,401	4,660	5,341	5,946	6,846	6,917	7,646	9,059	9,709	10,879	12,232	12,813	13,073
12	Basic / advanced education	3,227	3,379	3,532	3,676	3,904	4,036	3,756	3,713	3,738	4,081	4,241	4,735	5,040	6,099	5,461	5,854	6,370	6,852	7,992	8,724	8,892	8,633
13	Social services	1,434	1,502	1,567	1,746	1,889	1,721	1,495	1,456	1,511	1,564	1,560	1,668	1,790	1,942	2,108	2,272	2,438	2,710	2,911	3,148	3,225	3,274
14	Other program expense	5,077	5,328	5,741	5,501	6,031	5,172	4,301	3,739	3,446	3,727	3,885	4,612	5,200	5,184	5,567	5,708	5,984	7,472	7,668	8,810	8,618	8,587
15	Total program expense	13,110	13,840	14,735	15,052	16,176	15,123	13,480	12,681	12,701	13,773	14,346	16,356	17,976	20,071	20,053	21,480	23,851	26,743	29,450	32,914	33,548	33,567
16	Debt servicing costs	797	1,115	1,282	1,314	1,419	1,654	1,746	1,683	1,462	1,322	1,379	956	980	774	476	271	302	248	221	235	235	215
17	Total Expense	13,907	14,955	16,017	16,366	17,595	16,777	15,226	14,364	14,163	15,095	15,725	17,312	18,956	20,845	20,529	21,751	24,153	26,991	29,671	33,149	33,783	33,782
18	**Net Revenue (Spending)**	**(2,007)**	**(2,116)**	**(1,832)**	**(2,629)**	**(3,324)**	**(1,371)**	**938**	**1,151**	**2,489**	**2,659**	**1,094**	**2,791**	**6,571**	**1,081**	**2,133**	**4,136**	**5,175**	**8,551**	**7,388**	**2,183**	**1,387**	**925**
BALANCE SHEET																							
19	Net Financial Assets (Debt) [d]	4,412	2,296	464	(2,165)	(7,054)	(8,313)	(7,355)	(6,255)	(3,728)	(1,089)	(63)	2,654	9,042	9,814	11,696	15,607	20,395	28,318	34,866	35,694	35,646	35,503
20	Capital Assets [e]	N/A	N/A	N/A	N/A	N/A	8,220	7,669	7,411	7,292	7,215	7,218	7,259	8,002	10,141	10,309	10,534	10,921	11,552	12,392	13,747	15,182	16,250
21	**Net Assets (Debt)** [d]	N/A	N/A	N/A	N/A	N/A	(93)	314	1,156	3,564	6,126	7,155	9,913	17,044	19,955	22,005	26,141	31,316	39,870	47,258	49,441	50,828	51,753
22	Pension obligations	8,004	8,243	6,156	5,774	4,770	5,066	5,352	5,352	4,981	4,890	4,813	4,728	4,742	4,771	4,927	5,059	5,235	5,435	5,590	5,707	5,838	5,990
23	**Accumulated Debt** [f]	13,069	15,527	16,647	17,406	20,305	22,701	21,451	20,531	17,733	14,976	14,106	12,020	8,195	5,261	4,736	3,730	—	—	—	—	—	—
24	Sustainability Fund assets															—	2,500	3,498	4,083	7,655	7,655	7,655	7,655
25	Capital Account assets															910	1,180	674	4,243	6,092	5,633	4,931	3,444

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[a] Numbers have been restated on 2007-08 basis where possible. Numbers for 2001-02 forward are fully comparable. The 1992-93 to 2000-01 numbers are essentially comparable to the 2007-08 presentation with exception of the treatment of disposal of capital assets, which results in revenue being overstated by approximately $600 million over the nine year period on a comparable basis. Prior to 1992-93, spending is on an expenditure basis, using actual capital spending rather than capital amortization costs.

[b] The cost of the Alberta 2005 Resource Rebate, estimated at $1.32 billion, is netted against personal income tax revenue in 2005-06.

[c] Beginning in 1996-97, valuation adjustments have been allocated by function. In prior years, all valuation adjustments were included in other program expense.

[d] Excludes pension obligations. Net debt was increased by $1,474 million in 1992-93 primarily for a provision for school construction debt, reduced by $125 million in 1993-94 to record personal income tax and established programs financing entitlements on an accrual basis, and increased by $32 million in 1995-96 to report some other revenues on accrual basis.

[e] Capital Assets information not available prior to 1992-93. In 1994-95, includes the disposal of $449 million in capital assets (primarily transfer of secondary highways to municipalities). 2000-01 and 2001-02 include transfers of $587 million and $1.8 billion of secondary highways from municipalities to the province.

[f] Net of cash set aside for future debt repayments. In 2001-02, the amount of $5,261 million includes commitment of $414 million to debt retirement based on a higher-than-expected year-end cushion. This amount was transferred in 2002-03 from other assets.

2007-10 CAPITAL PLAN

BUDGET2007
MANAGING OUR GROWTH

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2007-10 Capital Plan

The 2007-10 Capital Plan will support $18.2 billion in capital spending.

The *2007-10 Capital Plan* will support $18.2 billion in capital spending and is an essential part of government's commitment toward a higher standard of living, greater opportunities and an even better quality of life for all citizens of this province. The Capital Plan itself contributes to the Government Priority of governing with integrity and transparency. The remaining Government Priorities have integral capital infrastructure components supported by the *2007-10 Capital Plan*. The following are examples of how the Capital Plan supports these four Government Priorities:

MANAGE GROWTH PRESSURES, THROUGH:

- establishing the new Municipal Sustainability Initiative to address municipal infrastructure pressures;
- supporting affordable housing, health facilities and water and wastewater treatment systems in the Regional Municipality of Wood Buffalo;
- constructing ring roads in Edmonton and Calgary;
- twinning of segments of Highway 63 to Fort McMurray;
- increasing funding for provincial resource roads;
- increasing funding for regional water and wastewater systems, and
- addressing cost inflation on currently approved projects.

IMPROVE ALBERTANS' QUALITY OF LIFE, THROUGH:

Alberta's Capital Plan supports Government Priorities.

- constructing the South Calgary Health Campus;
- constructing the Edmonton Clinic;
- commencing the replacement of the Queen Elizabeth II Hospital in Grande Prairie;
- establishing the two-year Major Community Facilities Program, and
- providing grants for major sports and recreation facilities in Edmonton and Calgary.

BUILD A STRONGER ALBERTA, THROUGH:

- increasing funding for schools;
- increasing access to quality learning and research opportunities facilitated by expanding and upgrading post-secondary infrastructure and equipment;
- constructing the University of Alberta's Health Research Innovation Facility and Centennial Centre for Interdisciplinary Science;
- constructing the University of Calgary's Health Research Innovation Centre and Digital Library, and
- establishing a Faculty of Veterinary Medicine at the University of Calgary.

PROVIDE SAFE AND SECURE COMMUNITIES, THROUGH:

- investing in a province-wide police strategic information technology system;
- constructing the new Edmonton Remand Centre, and
- completing the new Calgary Courts Centre in the summer of 2007.

Albertans are realizing the benefits from government support to infrastructure.

ALBERTA'S MAJOR CAPITAL ACCOMPLISHMENTS

Through Alberta's Capital Plan, government has provided significant support for infrastructure in recent years. Some notable achievements that have resulted from this support include:

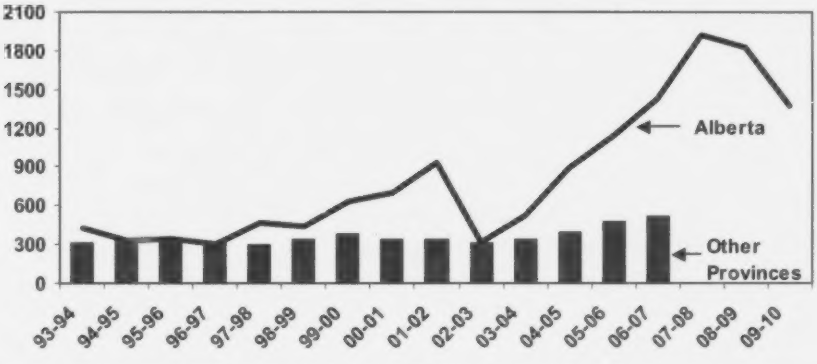
- Completed the southwest leg of Edmonton's Anthony Henday ring road in 2006;
- Negotiated Alberta's second public-private partnership for construction, operation and maintenance for the northeast leg of Calgary's Stoney Trail ring road;
- Twinned several segments of the North-South Trade Corridor;
- Paved 918 kilometres of provincial highways in 2006;
- Implemented the Alberta Municipal Infrastructure Program, providing $3 billion of financial assistance over five years to municipalities for their infrastructure requirements;
- Opened the state-of-the-art Level 3 Biocontainment Lab putting Alberta on the cutting edge of animal disease detection and research;
- Opened the new Alberta Children's Hospital on September 27, 2006, a 750,000 square foot building located on the University of Calgary's West Campus;
- Completed the National Institute for Nanotechnology at the University of Alberta. Researchers are focused on the revolutionary work being done at the nano-scale, the world of individual atoms or molecules;
- Commenced construction of the University of Alberta's Centennial Centre for Interdisciplinary Science, which will expand access to undergraduate and graduate science programs and facilitate multi-disciplinary collaboration;
- Selected site for the new $308 million Edmonton Remand Centre;
- Funded the University of Calgary's Child Development Centre, scheduled to open in 2007, that will create a collaborative environment that promotes optimal outcomes for children and their families across the developmental continuum by integrating world-class research, training, services and policy;
- Ongoing redevelopment of hospitals in Lethbridge, Rimbey, Edson, Barrhead, Viking and High Prairie;
- Committed to upgrade the greenhouse facilities at the provincial Crop Diversification Centre in Brooks to help the Centre research crop production and protection;
- Opened 15 new schools and purchased 130 new steel-framed modular classrooms in 2006-07, and
- Provided $413 million over the last three years for the acquisition of medical and diagnostic equipment.

PROVINCE'S SUPPORT FOR CAPITAL INFRASTRUCTURE

The *2007-10 Capital Plan* will directly support $18.2 billion in capital projects, averaging $6.1 billion per year, up from an average of $1 billion per year over 1993 to 1999. This degree of capital support is unmatched in the rest of Canada. Alberta's per capita spending on infrastructure is nearly four times the average of other provinces. In 2007-08, Alberta will spend over $6.7 billion on capital projects or about $1,930 per person. The average per capita spending on infrastructure in other provinces is about $525 per person.

Per capita, Alberta spends nearly four times the average of capital spending in other provinces.

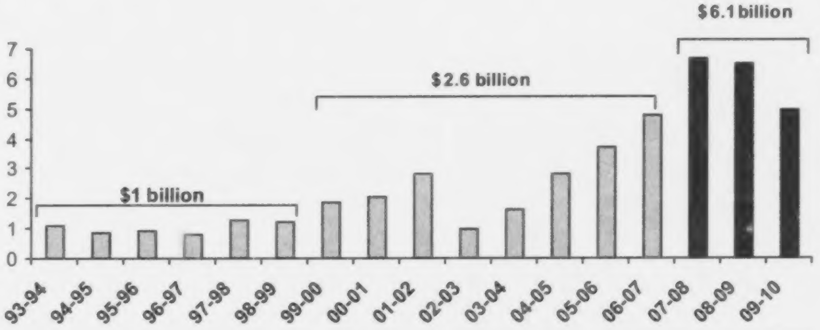
Interprovincial Comparison of Capital Spending
(dollars per capita)



Source: Dominion Bond Rating Service Limited, *The 2006 Canadian Federal and Provincial Governments - Overview: Hitting A Peak?*, October 2006, and earlier reports. Alberta data for 2005-10 has been updated by Alberta Finance.

Over 2007-10, Alberta will average over $6 billion a year on capital spending.

Province's Support for Capital Infrastructure
(billions of dollars)



INCREASES TO THE 2007-10 CAPITAL PLAN

Budget 2007 provides a 37% increase in capital spending.

At $18.2 billion, the *2007-10 Capital Plan* represents a 37 per cent, or $4.9 billion increase from the 2006-09 Capital Plan published in *Budget 2006*. In *Budget 2007*, major increases have been provided for cost escalation on approved projects, municipal infrastructure grants, provincial highway network, health facilities, schools, post-secondary facilities, regional water systems development and community facilities.

Comparison of 2006-09 and 2007-10 Capital Plans

(millions of dollars)

	2006-09 *Budget 2006*	2007-10 *Budget 2007*	Change
Municipal infrastructure support	3,127	4,262	1,135
Provincial highway network	3,637	4,614	977
Health facilities and equipment	2,910	3,043	133
Schools	833	1,278	445
Post-secondary facilities	1,122	1,583	461
Community facilities	376	819	443
Water and wastewater management	277	679	402
Housing, government facilities and equipment and other capital	668	1,601	933
Capital for emergent projects	372	366	(6)
Total Capital Plan	**13,322**	**18,245**	**4,923**

In addition to cost escalation, other increases in the *2007-10 Capital Plan* include:

Funding is provided to address core infrastructure needs in municipalities.

- **Municipal Infrastructure Support.** The increase includes funding under the new Municipal Sustainability Initiative, providing $905 million in capital grants to municipalities to address core infrastructure needs. The increase also includes funding for the municipal resource road program, underground petroleum storage tank remediation and the Federal Funding for Cities and Communities Program.
- **Provincial Highway Network.** The increase enables government to continue developing the important strategic economic corridors, such as ring road links in Edmonton and Calgary and improvements to Highway 63 to Fort McMurray. Funding has been provided for upgrading and expansion of critical provincial roads in resource development areas and $120 million of spending authority not used in 2006-07 has been carried forward to be used in 2007-08.
- **Health Facilities.** The increase includes new funding to commence replacement of the Queen Elizabeth II Hospital in Grande Prairie and enhancements to improve access to health services in Fort McMurray. The increase also includes funding for the acquisition of an inventory of pandemic-related supplies.
- **Schools.** The increase includes an additional $300 million for new school projects and funding for priority schools in Fort McMurray and Cold Lake (previously announced in November 2006). The government will explore strategies to alternatively procure school infrastructure.

Additional capital funding has been provided for schools and post-secondary facilities.

- **Post-secondary Facilities.** The increase includes an additional $300 million over 2007-10 for expansion and upgrading of post-secondary facilities. The increase also reflects funding received from the federal government to improve post-secondary infrastructure, as well as support to purchase equipment for the 2009 WorldSkills Competition.

A new grant program supports community public-use facilities.

- **Community Facilities.** The increase includes one-time funding of $280 million over two years for the new Major Community Facilities Program to provide grants supporting community public-use facilities. The increase also includes funding for the Calgary Stampede, Edmonton Northlands, Calgary's Pengrowth Saddledome and McMahon Stadium, Edmonton's Rexall Place and Commonwealth Stadium, and the province's commitment to fund 25 per cent, up to $69 million, of the Calgary Olympic Development Association's proposed capital renewal project.
- **Water and Wastewater Management.** The increase includes funding for development of regional water and wastewater treatment facilities, funding to upgrade water and wastewater treatment facilities in the Regional Municipality of Wood Buffalo and increased funding through the Municipal Sustainability Initiative.

Funding for affordable housing has been increased.

- **Housing, government facilities and equipment and other capital.** The increase includes additional funding for affordable housing in the Regional Municipality of Wood Buffalo and other areas of the province, funding for the Edmonton Remand Centre, a province-wide police strategic information technology system and federal funding for affordable housing and off-reserve housing. Spending authority not used in 2006-07 has been carried forward to 2007-08.

COST ESCALATION

The government of Alberta, like private industry in Alberta, must manage its capital spending in a rapidly growing economy. Cost estimates to complete projects are subject to significant inflationary pressure as projects are chasing scarce labour and input resources. Cost escalation on previously approved projects uses up available fiscal room, and therefore limits government's ability to add new projects to the Capital Plan.

$1.3 billion has been added to the Capital Plan for cost escalation on approved projects.

Over 2007-10, the government's Capital Plan includes $1.3 billion for cost escalation on approved projects. This funding has been allocated as follows and is reflected in the Capital Plan:

- $540 million for the provincial highway network;
- $279 million for post-secondary facilities;
- $221 million for health facilities;
- $102 million for housing, government facilities and equipment and other capital;
- $71 million for schools, and
- $54 million for water and wastewater projects.

$1 billion has been set aside in the Capital Account, for future cost escalation, but is not included in the Capital Plan. Government will examine strategies to mitigate the effects of inflation on infrastructure projects. After examining these strategies, a process will be developed to ensure an appropriate allocation of cost escalation funding to individual projects.

SURPLUS ALLOCATION POLICY

Prior to 2004-05, in-year increases in the surplus were primarily used to eliminate accumulated debt. With the elimination of debt, the government has more options in how surpluses are used.

In *Budget 2007,* the government has set out a policy on allocating in-year increases to the available cash surplus. For 2007-08, two-thirds of the increase will be allocated to capital with capital maintenance and renewal as the priority. Capital maintenance includes provincial highway rehabilitation and the infrastructure maintenance programs for schools, post-secondary institutions and health facilities. Capital renewal includes major modernization projects that significantly rehabilitate or replace existing assets. The capital allocation could be provided for in-year spending or kept in the Capital Account for future year spending.

The new surplus allocation policy allocates funding to capital maintenance and renewal.

LOCAL AUTHORITIES AND GOVERNMENT-OWNED CAPITAL

Government supports not only government-owned and operated infrastructure, but also infrastructure owned and operated by local authorities such as municipalities, health authorities, housing facility operators, irrigation districts, school boards and post-secondary institutions.

The following table summarizes support to government-owned and local authorities capital.

Local Authorities and Government-Owned Capital

(millions of dollars)

	2007-08 Estimate	2008-09 Target	2009-10 Target	3-year Total
Local authorities capital	4,600	4,230	3,042	11,872
Government-owned capital	2,103	2,300	1,970	6,373
Total Capital Plan	**6,703**	**6,530**	**5,012**	**18,245**

Capital Plan Details

Capital Plan Summary by Function

(millions of dollars)

	2007-08 Estimate	2008-09 Target	2009-10 Target	3-year Total
Municipal infrastructure support	1,402	1,382	1,478	4,262
Provincial highway network	1,379	1,720	1,515	4,614
Health facilities and equipment	1,220	1,139	684	3,043
Schools	508	494	276	1,278
Post-secondary facilities	747	611	225	1,583
Community facilities	407	298	114	819
Water and wastewater management	209	227	243	679
Housing, government facilities and equipment and other capital	665	559	377	1,601
Capital for emergent projects	166	100	100	366
Total Capital Plan	**6,703**	**6,530**	**5,012**	**18,245**

Note: The table does not include the additional $1 billion set aside in the Capital Account for cost escalation.

MUNICIPAL SUSTAINABILITY INITIATIVE

Like the provincial government, municipalities have been facing significant growth pressures. Rapid population growth is straining municipal infrastructure and accelerating needs for expansion. Cost escalation has also limited municipalities' ability to build projects as more funding is required to address inflation on existing projects.

The new Municipal Sustainability Initiative will help manage local growth pressures.

To help manage local growth pressures, the new Municipal Sustainability Initiative has been established. This initiative will be phased-in over four years, beginning in 2007-08, and will reach $1.4 billion in 2010-11. The full implementation coincides with the planned termination of the Alberta Municipal Infrastructure Program after 2009-10. For the initial three years, all but $50 million per year of the annual funding will be provided in the form of capital grants.

Capital grants allocated under the Municipal Sustainability Initiative will target three main areas in the Capital Plan. The following table provides details on the allocation of the Municipal Sustainability Initiative across Capital Plan functions:

Allocation of Municipal Sustainability Initiative

(millions of dollars)

	2007-08 Estimate	2008-09 Target	2009-10 Target	3-year Total
Capital Grants:				
Municipal infrastructure support	250	305	350	905
Housing, government facilities and equipment and other capital	100	145	100	345
Water and wastewater management	–	–	100	100
Total Capital Grants	350	450	550	1,350
Operating grants	50	50	50	150
Total Municipal Sustainability Initiative	**400**	**500**	**600**	**1,500**

Municipal infrastructure support totals $4.3 billion over the next three years.

MUNICIPAL INFRASTRUCTURE SUPPORT

Over 2007-10, a total of $4.3 billion will be provided to support municipalities. This support includes:

- $1.8 billion for the final three years of the 5-year, $3 billion Alberta Municipal Infrastructure Program, which provides financial assistance to municipalities for roads, bridges, public transit, water and wastewater, emergency services, and infrastructure management systems;
- $1.1 billion for municipal transportation grants for urban and rural communities based on 5 cents per litre of fuel delivered in Edmonton and Calgary; $60 per capita for other urban municipalities, and other grant programs based on factors such as kilometres of open road and terrain;
- $905 million for capital grants under the Municipal Sustainability Initiative to address core municipal infrastructure such as roads, bridges, public transit and emergency services;
- $370 million under the Federal Funding for Cities and Communities Program, which returns a portion of the federal gasoline tax to the province for distribution to municipalities;
- $78 million for Alberta's share of the Canada/Alberta Municipal Rural Infrastructure Fund, and
- $53 million for other municipal support such as underground petroleum storage tank site remediation.

Provincial highways investment increases by $977 million to over $4.6 billion.

PROVINCIAL HIGHWAY NETWORK

The government continues to recognize the important role of provincial highways in Alberta's economy. Over $4.6 billion has been committed to provincial highway projects over the next three years. The *2007-10 Capital Plan* includes funding to:

- Address cost escalation on previously approved projects;
- Improve roads in key resource development areas;
- Continue twinning portions of Highway 63 between Edmonton and Fort McMurray;
- Commence construction on the northeast segment of the Calgary Stoney Trail ring road as a P3 project;
- Complete construction on the northwest portion of the Calgary Stoney Trail ring road;
- Complete construction on the southeast segment of the Edmonton Anthony Henday ring road;
- Continue planning of further segments of the ring roads in Edmonton and Calgary;
- Continue twinning of the North-South Trade Corridor, including further 4-laning on sections of Highway 43, and
- Rehabilitate highways in all areas of the province.

$3.0 billion is planned for health infrastructure over the next three years.

HEALTH FACILITIES AND EQUIPMENT

Government is providing the health authorities with a significant commitment of capital funding totalling $3 billion over the next 3 years, for renovation and expansion projects at existing health care facilities and construction of new health facilities as well as funding for health information systems initiatives, vaccines and pandemic supplies.

During 2006-07, government committed $30 million for 2007-08 to support the purchase of an inventory of pandemic-related supplies. Over 2007-10, $221 million will be provided for increased cost escalation on previously approved health projects and over $26 million to support improved access to health services in Fort McMurray.

$250 million has been provided to commence replacement of the Queen Elizabeth II Hospital in Grande Prairie.

Budget 2007 includes a commitment of $250 million over the next three years to commence replacement of the Queen Elizabeth II Hospital in Grande Prairie.

The *2007-10 Capital Plan* continues implementation of health commitments:

- Redevelopment and expansion of the Peter Lougheed Centre, Rockyview General Hospital and Foothills Medical Centre in Calgary;
- Construction of the South Calgary Health Campus;
- Construction of the new Sheldon M. Chumir Health Centre and the upgraded Richmond Road Diagnostic and Treatment Centre in Calgary;
- Redevelopment and expansion of the Misericordia, Grey Nun's, Sturgeon General, Royal Alexandra and University hospitals in Edmonton, including the new Mazankowski Alberta Heart Institute at the University of Alberta Hospital and a new elective surgery centre at the Royal Alexandra Hospital;
- Construction of the Edmonton Clinic in a partnership between Capital Health and the University of Alberta;
- Construction of new community health centres in Red Deer, Calgary and Edmonton;
- Construction of new long-term care facilities in Red Deer, Edmonton, High Prairie, Vermilion and Vegreville;
- Replacement of the Fort Saskatchewan Health Centre and construction of a new hospital in Sherwood Park;
- $272 million for health information systems initiatives, such as the Diagnostic Imaging Strategy and the Electronic Health Record;
- $192 million for health infrastructure maintenance at various locations throughout the province, and
- $95 million for the acquisition of various vaccines.

The $3 billion commitment for health facilities and equipment in *Budget 2007* will improve access to health services. It will provide for more than 1,500 additional acute care beds at various hospitals throughout the province over the next several years, as well as enhancing capacity in areas such as ambulatory, diagnostic, emergency and surgical care.

SCHOOLS

Alberta's schools will receive $1.3 billion over the next three years.

$1.3 billion will be provided for new school facilities and preservation and expansion projects. This funding commitment by the government recognizes the important role education plays in building a stronger Alberta.

Since *Budget 2006*, $239 million was added in 2006-07 and $308 million added over 2007-10 for school infrastructure. With *Budget 2007*, government is announcing a further $300 million over the next three years for new school projects, and will examine alternative procurement methods to deliver school infrastructure to Albertans. In addition, *Budget 2007* provides $71 million for cost escalation on previously approved projects.

The *2007-10 Capital Plan* for school infrastructure includes:

- $288 million for priority school infrastructure revitalization projects throughout the province including roof repairs, health and safety upgrades, mechanical system replacements and energy efficiency improvements, and
- Funding for 71 new or major modernization projects. This includes 12 new schools scheduled to open in the 2007-08 school year.

POST-SECONDARY FACILITIES

$1.6 billion support to post-secondary facilities demonstrates government's commitment to advanced education and building a skilled workforce that meets the demands of Alberta's growing economy. This spending will increase access to post-secondary education for all Albertans and contribute toward building a stronger Alberta.

Funding for post-secondary facilities has increased by $461 million to $1.6 billion over the next three years.

Budget 2007 announces new funding of $300 million over 2007-10 to create additional spaces at post-secondary facilities by expanding and upgrading infrastructure and an additional $279 million to address cost escalation on previously approved projects.

The *2007-10 Capital Plan* includes significant investments in post-secondary facilities, such as:

- Centennial Centre for Interdisciplinary Science at the University of Alberta;
- Edmonton Clinic, in a joint partnership between Capital Health and the University of Alberta;
- University of Calgary Health Research Innovation Centre;
- University of Alberta Health Research Innovation Facility;
- Bow Valley College;
- University of Calgary Digital Library;
- University of Calgary Faculty of Veterinary Medicine;
- Community Learning Campus at Olds College, and
- $107 million for infrastructure maintenance at post-secondary institutions across the province.

Support for community facilities more than doubles to $819 million.

COMMUNITY FACILITIES

Funding of $819 million includes:

- $280 million over two years of one-time funding for the Major Community Facilities Program, which is a new capital grant program that contributes a portion of the cost of constructing, maintaining or upgrading community public-use facilities used for sport, recreation, culture and wellness;
- Expansion and renewal of the Royal Alberta Museum to enhance the visitor experience and attract world class touring exhibits;
- The ongoing Community Facility Enhancement Program which provides matching grants of $38.5 million per year to support the expansion and upgrading of Alberta's extensive network of community-use facilities;
- Funding to a maximum of $69 million, for the province's commitment to provide 25 per cent of the cost of the Calgary Olympic Development Association's proposed $276 million capital renewal project;
- Grants totalling $80 million in 2007-08 to the Calgary Exhibition and Stampede, Edmonton Northlands, Pengrowth Saddledome, Rexall Place, McMahon Stadium and Commonwealth Stadium, and
- Ongoing funding for maintenance and upgrades to provincial parks, museums and historic sites to improve the quality of life of all Albertans and promote the Alberta tourism experience.

WATER AND WASTEWATER MANAGEMENT

Water infrastructure will receive $679 million in funding in the following areas:

Support for water and wastewater management continues to be a priority.

- Regional water and wastewater treatment projects throughout the province;
- Grants to municipalities under the *Water for Life* program, including increased funding through the Municipal Sustainability Initiative;
- Water treatment plant and wastewater facilities in the Regional Municipality of Wood Buffalo;
- Irrigation rehabilitation grants, and
- Government dams, canals and erosion-control infrastructure.

Housing support for those in need has been increased.

HOUSING, GOVERNMENT FACILITIES AND EQUIPMENT AND OTHER CAPITAL

The three-year support for housing, government facilities and equipment and other capital totals $1.6 billion and includes:

- Development of affordable housing in Fort McMurray and other regions of the province, including use of some federal funding for affordable and off-reserve Aboriginal housing grants;
- Construction of the new Edmonton Remand Centre;
- Land acquisitions, including land for the Glenbow Ranch Provincial Park. Funding for this park was provided in 2006-07, but, due to delays in finalizing, the transaction will not be completed until 2007-08.

Public security is improved by investment in a new Remand Centre and police strategic information technology system.

- Province-wide police strategic information technology system that will improve sharing of information between several public safety organizations and improve police information gathering and intelligence analysis.
- Completion of renovations to the historic Court of Appeal building, including development of an underground parkade and urban park, at the Calgary Courts Centre site, and
- Information technology and other government facility upgrades.

CAPITAL FOR EMERGENT PROJECTS

This $366 million is to address emerging capital needs, which could include roads, schools, health and post-secondary facilities.

Capital Plan Funding Sources

The three sources of funding for the Capital Plan are current-year revenue, the Capital Account, and Alternative Financing. The *2007-10 Capital Plan* will be funded as follows:

The Capital Account provides 57% of 2007-10 funding requirement.

Capital Plan Funding Sources

(millions of dollars)

	2007-08 Estimate	2008-09 Target	2009-10 Target	3-year Total
Current-year revenue	2,784	2,483	2,339	7,606
Capital account from:				
Current year resource revenue	2,258	3,340	1,154	6,752
Prior year surplus allocations	1,459	702	1,487	3,648
Alternative financing	202	5	32	239
Total Capital Plan	**6,703**	**6,530**	**5,012**	**18,245**

CAPITAL ACCOUNT

The Capital Account is used to finance capital spending. The *Fiscal Responsibility Act* permits non-renewable resource revenue above $5.3 billion in a year to be allocated to the Capital Account and used in the current year. As well, the Capital Account can also be used to carry forward surplus revenue from one year to another.

ALTERNATIVE FINANCING

Alternative Financing is another tool the government can use to support capital spending. This includes direct government borrowing, capital leases, public private partnerships and borrowing by local authorities. The $239 million in alternative financing in the *2007-10 Capital Plan* is to complete the Anthony Henday Southeast ring road project in Edmonton and the Northeast Stoney Trail ring road project in Calgary.

Over 2007-10, government will explore alternative procurement strategies to address Alberta's growing infrastructure needs. Innovative procurement strategies will be key to maintaining a sustainable Capital Plan. Before entering such arrangements, government will ensure that alternative procurement strategies bring value to government and best serve the public interest.

PUBLIC-PRIVATE PARTNERSHIPS

Public-private partnerships (P3s) are an alternative procurement method that gives government access to private sector expertise and allows it to transfer certain risks that the private sector is better able to manage. Transferring risk comes at a cost to government and achieving the optimum allocation of risk between the public and private partners is key to successful P3s. P3s can include private financing, which can be a source of funding for the Capital Plan. P3s are also often structured to ensure the asset is well maintained by the private sector partner over the asset's useful life. Alberta will only pursue a P3 when there is greater value to using a P3 than acquiring an asset in traditional ways. Each P3 is evaluated to ensure value for money, including a review by an external advisory committee made up of private sector members.

The Edmonton Southeast ring road was Alberta's first major P3 that included private sector financing. The P3 agreement includes the design, construction, financing and operation of that road for 30 years. By using a P3, government is protected from cost overruns, is insulated from risks such as weather delays and construction difficulties, has a fixed opening date (or penalties will be incurred), and has a 30-year extended warranty on the road. That segment of the Edmonton ring road is on schedule to open in the fall of 2007.

Contribution of public financing to a P3 project should reduce total project cost. This is a result of the government's ability to obtain financing at lower interest rates than the private sector. In the case of the Northeast Stoney Trail P3, government will contribute $300 million during the construction phase of the project to reduce costs over the life of the project.

Alberta has committed to account for all of its P3 projects in an open and transparent manner. Consistent with generally accepted accounting principles, both ring road P3 agreements are recorded as capital leases. Therefore, government records the acquisition of a capital asset and the corresponding liability based on the portion of the project that is completed. Government will have accumulated a $513 million capital lease liability related to these projects when they are completed.

The remaining segments of the Edmonton and Calgary ring roads are included in *Budget 2007* based on conventional procurement. However, government may advance these projects as P3s.

Capital Plan Details

(millions of dollars)

	2007-08 Estimate	2008-09 Target	2009-10 Target	3-Year Total
Municipal Infrastructure Support				
Alberta Municipal Infrastructure Program	600	600	600	1,800
Municipal Sustainability Initiative	250	305	350	905
Municipal transportation grants	370	350	336	1,056
Federal Funding for Cities and Communities	84	95	191	370
Canada/Alberta Municipal Rural Infrastructure Fund	60	18	-	78
Tank Site Remediation Program	26	8	-	34
Other support	12	6	1	19
Total Municipal Infrastructure Support	**1,402**	**1,382**	**1,478**	**4,262**
Provincial Highway Network				
Strategic Economic Corridors				
Rural North-South Trade Corridor	88	140	167	395
Urban North-South Trade Corridor	37	17	6	60
Edmonton Ring Road	108	298	280	686
Calgary Ring Road	338	477	330	1,145
Northeast Alberta Transportation Corridor	224	183	89	496
Provincial resource roads	136	-	-	136
Other economic corridors	34	43	89	166
Sub-total Strategic Economic Corridors	965	1,158	961	3,084
Highway construction	275	357	357	989
Provincial highway rehabilitation	139	205	197	541
Total Provincial Highway Network	**1,379**	**1,720**	**1,515**	**4,614**
Health Facilities and Equipment				
Expansion and upgrading	1,058	1,007	581	2,646
Health information systems	100	100	72	272
Vaccines and pandemic supplies inventory	62	32	31	125
Total Health Facilities and Equipment	**1,220**	**1,139**	**684**	**3,043**
Schools				
Expansion and upgrading	508	494	276	1,278
Total Schools	**508**	**494**	**276**	**1,278**
Post-Secondary Facilities				
Expansion and upgrading	747	611	225	1,583
Total Post-Secondary Facilities	**747**	**611**	**225**	**1,583**

Capital Plan Details - *continued*

(millions of dollars)

	2007-08 Estimate	2008-09 Target	2009-10 Target	3-Year Total
Community Facilities				
Major Community Facilities Program	140	140	-	280
Royal Alberta Museum	79	73	40	192
Community Facility Enhancement Program	39	39	39	117
Calgary Olympic Development Association	40	20	9	69
Recreation and sports facilities grants	50	-	-	50
Provincial Park infrastructure	21	18	18	57
Other support	38	8	8	54
Total Community Facilities	**407**	**298**	**114**	**819**
Water and Wastewater Management				
Regional water projects	70	100	-	170
Municipal Water and Wastewater Partnership grants	54	40	54	148
Water/wastewater treatment - Wood Buffalo	35	34	34	103
Municipal Sustainability Initiative	-	-	100	100
Irrigation rehabilitation grants	12	17	24	53
Other support	38	36	31	105
Total Water and Wastewater Management	**209**	**227**	**243**	**679**
Housing, Government Facilities & Equipment, and Other Capital				
Municipal Sustainability Initiative	100	145	100	345
Edmonton Remand Centre	26	85	95	206
Land acquisitions	113	28	8	149
Affordable Housing Program	60	10	-	70
Province wide police strategic information technology system	24	24	15	63
Calgary Courts Centre - Court of Appeal renovation and parkade	22	30	-	52
Off Reserve Aboriginal Housing Program	16	16	-	32
Other support	304	221	159	684
Total Housing, Government Facilities/Equipment, and Other Capital	**665**	**559**	**377**	**1,601**
Capital for Emergent Projects	**166**	**100**	**100**	**366**
Total Capital Plan	**6,703**	**6,530**	**5,012**	**18,245**

ECONOMIC OUTLOOK

BUDGET2007
MANAGING OUR GROWTH

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Highlights

- In 2006, Alberta led all provinces in economic growth for the third consecutive year. Alberta's economy expanded by an estimated 6.9% in real terms, driven by rising investment and an upsurge in inter-provincial migration.
- The Alberta economy created over 86,000 jobs in 2006, recording the fastest pace of employment growth in a quarter century. Alberta's unemployment rate fell to a 30-year low of 3.4%.
- Global economic growth is expected to remain healthy over the period 2007 to 2010. This should sustain energy prices at relatively high levels, although increasing global oil production is expected to lead to a moderation in prices from US$58 in 2007-08 to US$52.50 in 2009-10.
- Declining natural gas inventories are expected to support natural gas prices at Cdn$6.75 per gigajoule in 2007-08, with prices softening to Cdn$6.25 by 2010 due to an expected increase in the supply of liquefied natural gas and lower oil prices.
- Long-term investments in oil sands and related projects – such as oil upgraders and pipelines – will continue to provide a foundation for solid economic growth in Alberta.
- Inter-provincial migration is expected to continue at current high levels in 2007, followed by a gradual decline through 2010, caused, in part, by the recent rise in Alberta housing costs.
- With slowing population growth, the province's economic growth is expected to return to a more sustainable – but still healthy – pace.
- Alberta's real economic growth is forecast at 3.8% in 2007 and averaging 3.5% over the following three years. These projections are similar to current private sector forecasts.
- Key risks to the outlook include a decline in energy prices, a U.S. economic slowdown, and continuing capacity pressures, especially with respect to skilled labour.

Forecast Summary

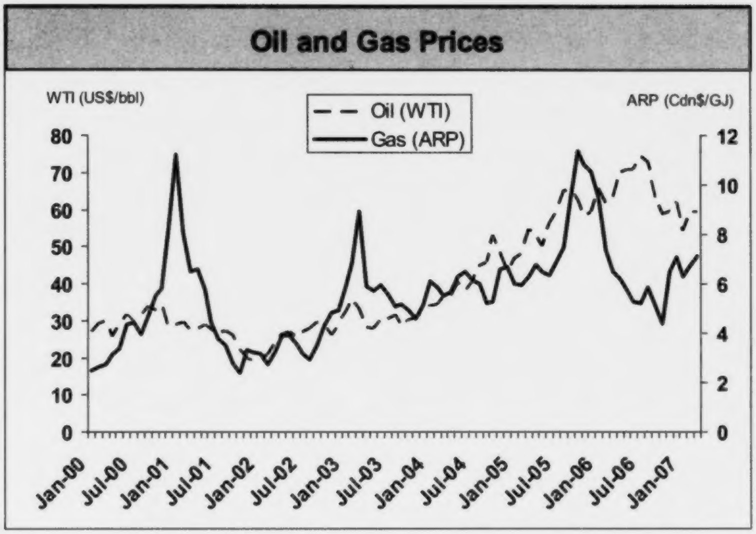
	2004-05 Actual	2005-06 Actual	2006-07	2007-08	2008-09	2009-10
Crude Oil Price (WTI, US$/bbl)	45.03	59.97	64.97	58.00	54.25	52.50
Alberta Natural Gas Reference Price (Cdn$/GJ)	6.05	8.29	5.95	6.75	6.50	6.25

	2005 Actual	2006 Actual	2007	2008	2009	2010
Real Gross Domestic Product (% change)	4.6	6.9	3.8	3.5	3.5	3.4
Population (% change)	2.2	3.0	3.0	2.6	2.2	2.0
Employment (% change)	1.5	4.8	3.0	2.3	1.9	1.7

2006 in Review

- The Alberta economy grew by an estimated 6.9% in 2006, surpassing the *Budget 2006* forecast of 4.8% growth and similar forecasts by private sector economists. This is the best performance since 1993, when real growth reached 7.2%.
- Alberta's nominal Gross Domestic Product (GDP) rose in 2006 to an estimated $242 billion, or 16.8% of national GDP. Alberta has 10.4% of Canada's population.
- Oil prices were unusually volatile in 2006-07. They peaked at a record high of US$77 in July, fell to US$50 in January 2007 and rebounded above US$60 in late February. As a result, oil averaged almost US$65 in 2006-07, up from US$60 in 2005-06. Gas prices eased through most of the year, averaging nearly Cdn$6 per gigajoule in 2006-07, down from Cdn$8.29 in 2005-06. Unusually high natural gas storage levels put downward pressure on natural gas prices.
- Driven by strong growth in oil sands and non-energy sector developments, real business investment increased by an estimated 6.2% in 2006, to a new high of over $47 billion.
- In the census year ending June 30, 2006, Alberta attracted over 57,000 net inter-provincial migrants, the highest on record. Alberta's population growth for the 2006 census year was 3%, the highest among the provinces, and triple the national population growth rate of 1%.
- In 2006, employment rose by 86,233, or 4.8%, the highest growth in 25 years and the highest among the provinces. The unemployment rate fell to a 30 year low of 3.4%.
- The tight labour market placed pressure on wages and salaries, which increased by 12.6% in 2006. Hourly wages increased by 6.9% in 2006, more than double the national increase of 3.3%.
- Strong economic and population growth fuelled demand for housing. Housing starts jumped to a record high of 48,962. The spike in demand led to a sharp increase in new house prices, which rose 40%, on average, almost four times the national increase.
- Alberta's CPI inflation averaged 3.9% in 2006, up from 2.1% in 2005 and nearly double the national increase of 2%. Sharply higher housing costs accounted for all of the difference between the Alberta and national inflation rates.

Energy prices volatile in 2006-07

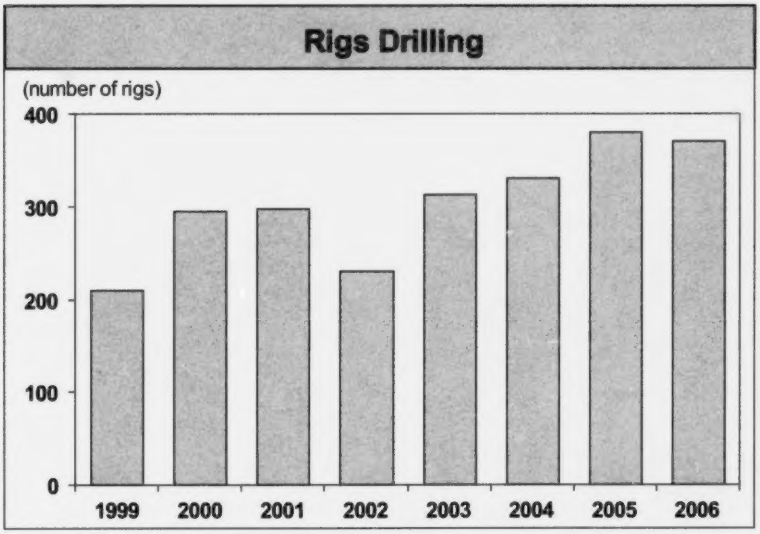


Source: Alberta Energy

Oil prices were unusually volatile in 2006-07. They peaked at a record high of US$77 in mid-July, fell to US$50 in January 2007 and rebounded above US$60 in late February.

Gas prices peaked at $9.52 per gigajoule in January 2006, fell to $4.40 in October and recovered to about $7.00 in February 2007.

Conventional energy activity recedes from 2005 highs

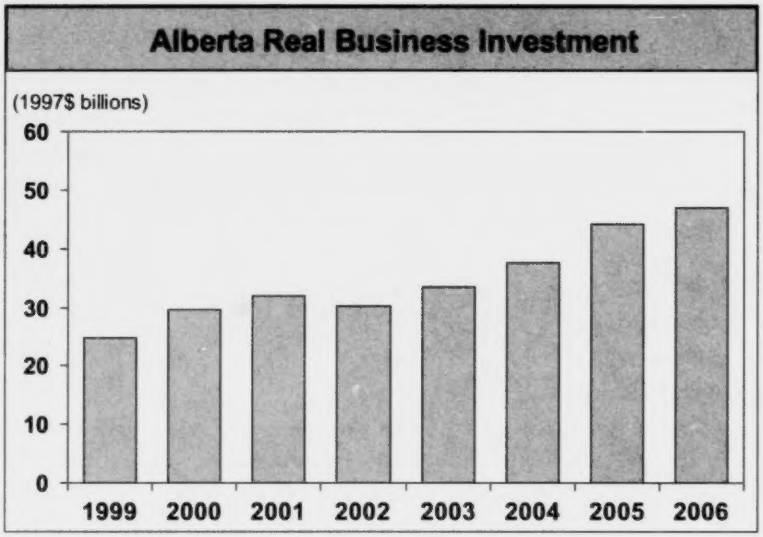


Source: Alberta Energy

Weaker natural gas prices had a dampening effect on conventional drilling activity, particularly in the latter part of 2006. For 2006 as a whole, the number of rigs drilling in Alberta fell 2.6%. In the second half of 2006, drilling activity was down 17.1% compared to the same period in 2005.

Record business investment in Alberta

Driven by continued strong growth in oil sands and non-energy sector developments, real business investment is estimated to have increased to over $47 billion in 2006. This was 6.2% above its previous record and represented 31% of Alberta's real Gross Domestic Product.

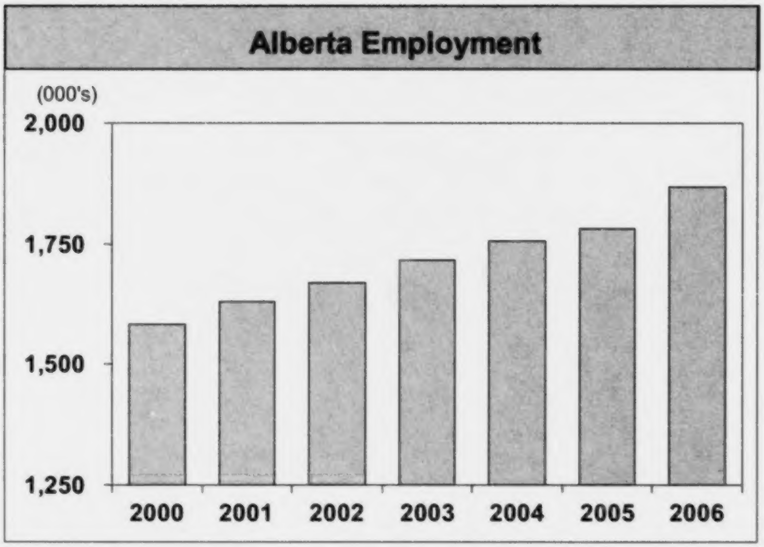


Source: Statistics Canada and Alberta Finance

Alberta created over 86,000 full-time jobs

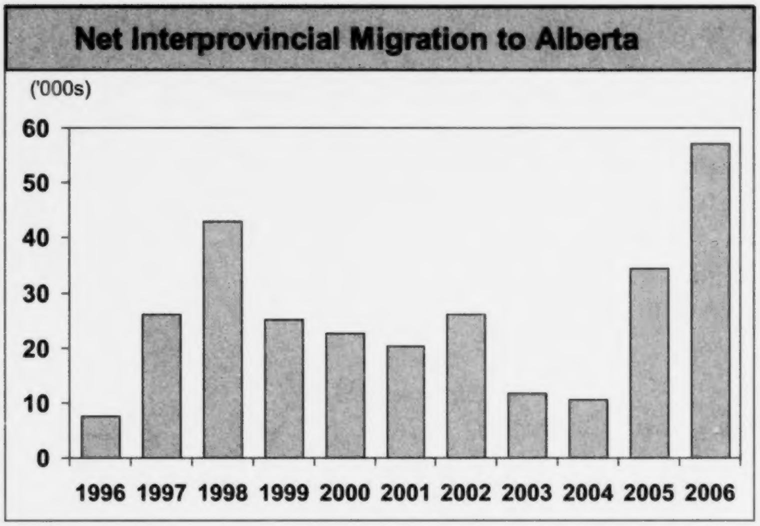
In 2006, the Alberta economy created over 86,000 jobs. Alberta's employment growth of 4.8% was the highest in 25 years and by far the strongest among provinces. All of the net gains in 2006 were in full-time employment, which rose 6.3%.

Alberta accounted for 27% of the new jobs created in Canada in 2006.



Source: Statistics Canada

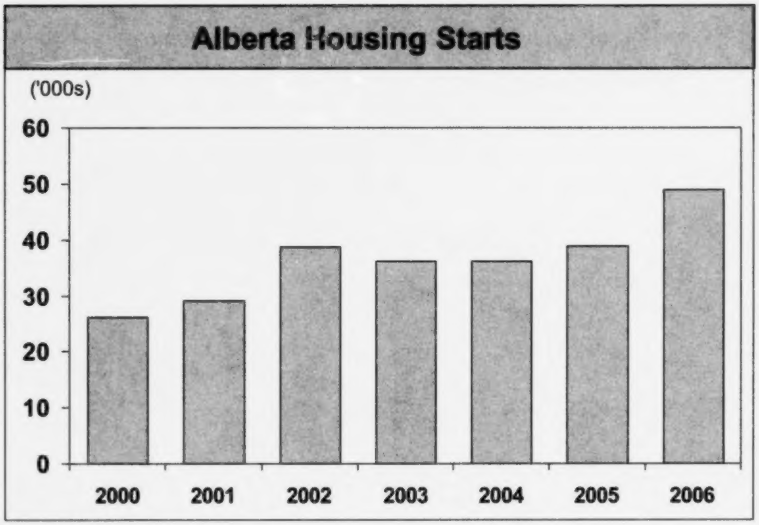
A record number of Canadians move to Alberta



In the 2006 census year (the 12-month period ending June 30, 2006), Alberta attracted over 57,000 net inter-provincial migrants, the highest level on record for Alberta. Alberta's population growth was 3%, the highest among provinces and triple the national increase (1%).

Source: Statistics Canada

Alberta's housing market accelerates

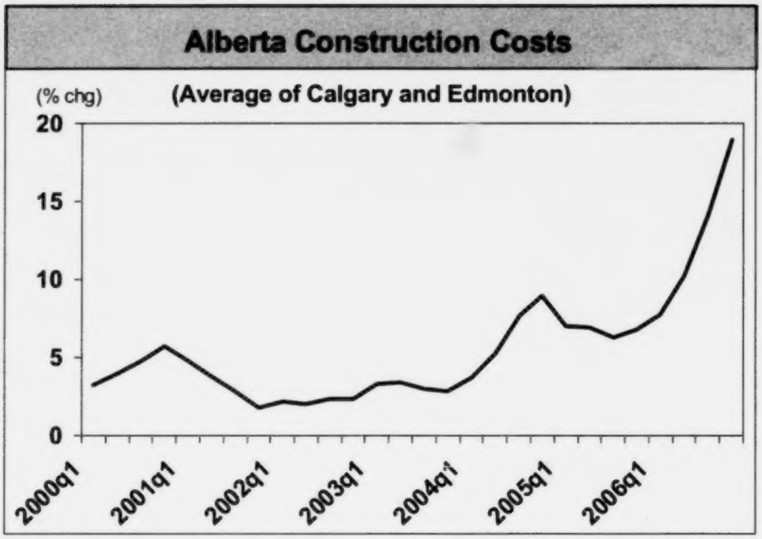


Strong economic and population growth fuelled the demand for housing in an already-hot Alberta housing market. In 2006, Alberta housing starts jumped nearly 20% to a new high of 48,962, surpassing the previous record of 47,925 starts, set in 1978.

Source: Canada Mortgage and Housing Corporation

Building construction costs rise sharply in Alberta

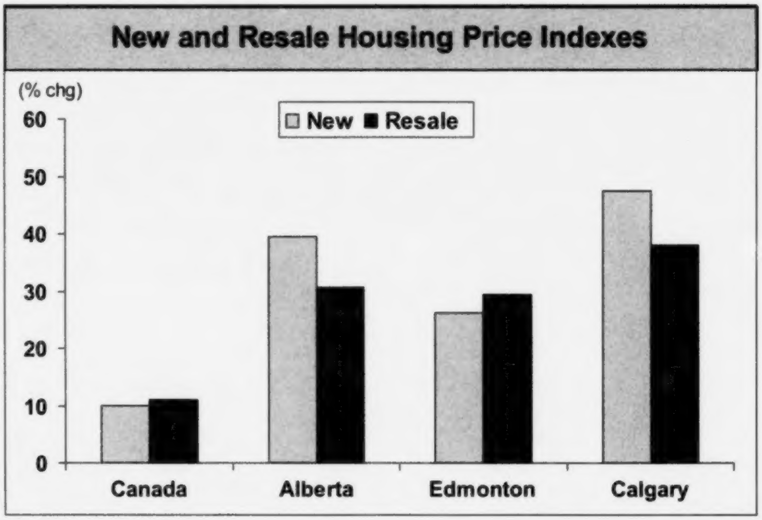
Rising costs for both labour and materials pushed up building construction costs. In 2006, average cost increases were nearly 13%. In the fourth quarter, cost increases were close to 19%, compared to 8% in the first quarter. Available evidence suggests that cost increases were even higher in some areas of construction, such as oil sands.



Source: Statistics Canada

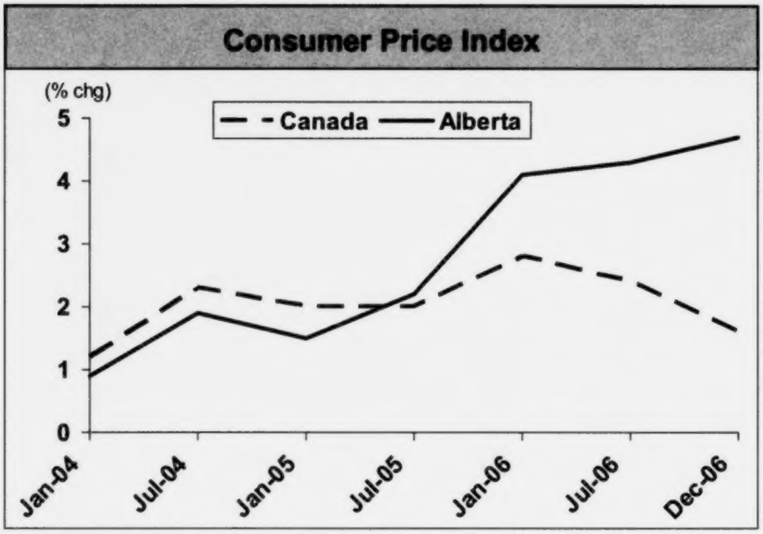
House prices spike across Alberta

Increased demand for housing (fuelled by rapid population growth) and rising construction costs led to a sharp spike in new house prices in the first nine months of 2006. Prices in some areas of the province stabilized towards the end of the year. Overall, house prices in Alberta were up 39.6% in 2006, almost four times the national increase of 10.2%.



Source: Statistics Canada and Canadian Real Estate Association

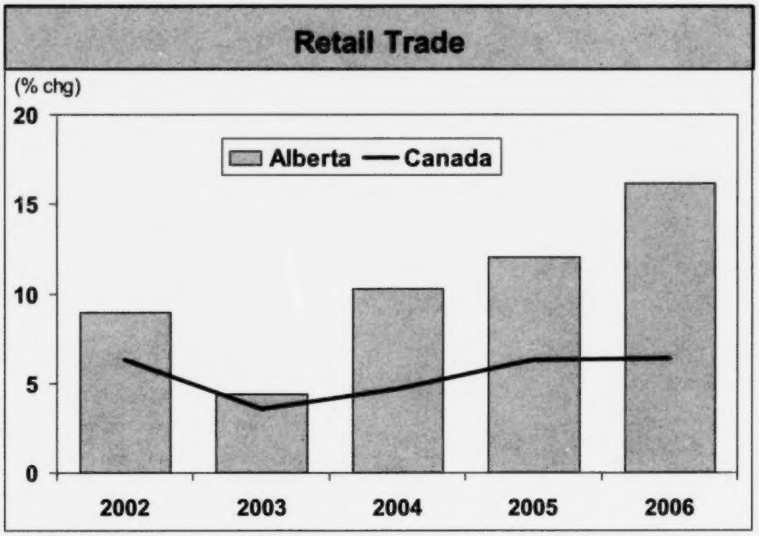
Housing pushes up Alberta's rate of inflation



Source: Statistics Canada

Alberta's Consumer Price Index inflation rate averaged 3.9% in 2006, the highest rate among the provinces and nearly double the national average of 2%. Increased housing costs were entirely responsible for the difference between the Alberta and Canadian inflation rates last year.

Alberta's retail sector thrives in 2006

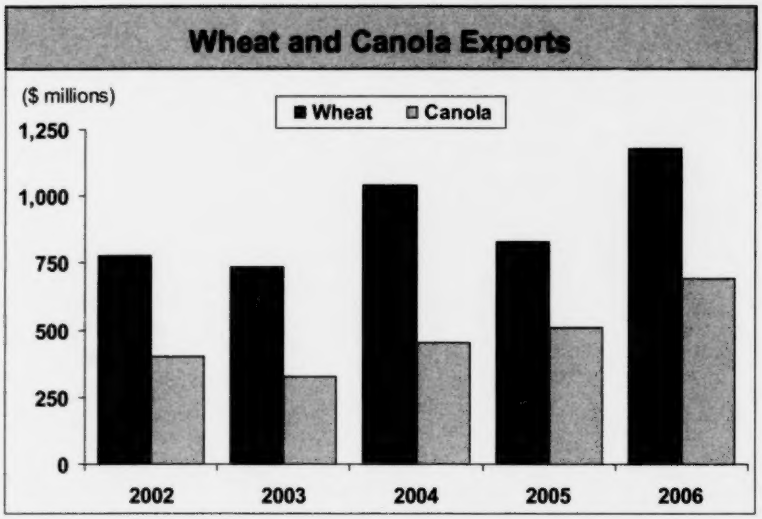


Source: Statistics Canada

Supported by strong population and job growth and healthy income gains, Alberta consumer spending increased at a record pace last year. In 2006, Alberta retail sales surged 16.2%, more than double the national increase of 6.4%. For the third year in a row, Alberta was the only province to post double digit gains in retail sales.

Alberta's wheat exports rebound and canola strengthens

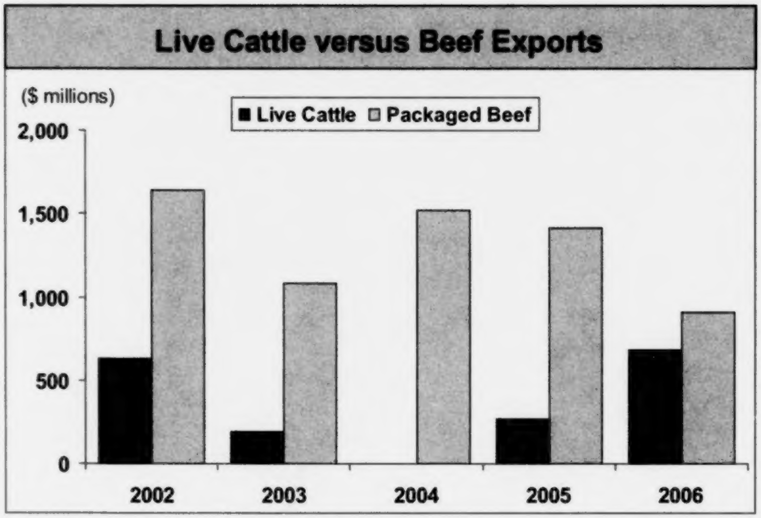
The value of Alberta's wheat exports jumped 41.7% in 2006, mainly due to increased volumes. The value of canola exports rose 36% in 2006 on sharply higher volumes and higher world canola prices. Canola prices rose mainly because of a drought in Australia and increased global demand for bio-fuel production.



Source: Alberta Agriculture and Food

Rebound in Alberta's live cattle exports reduces packaged beef exports

The value of Alberta's packaged beef exports fell 36% in 2006, to $505 million, as more Alberta live cattle (under 30 months of age) were processed in the United States with the re-opening of the border in July 2005. Alberta's live cattle export volumes now exceed their 2002 level, before the first case of BSE was identified. U.S. rulemaking bodies are considering re-opening trade with Canada for older live cattle.



Source: Alberta Agriculture and Food

Economic Outlook 2007 to 2010

GLOBAL ECONOMIC OUTLOOK REMAINS POSITIVE

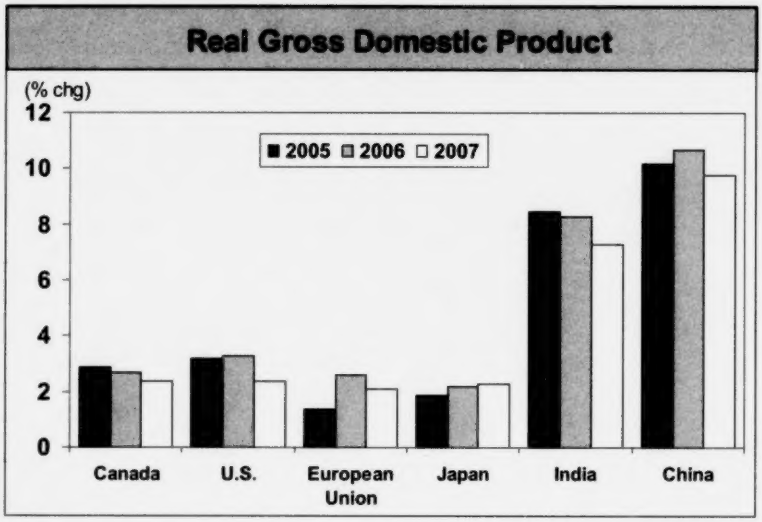
- In 2007, monetary tightening to curb inflationary pressures is expected to reduce growth somewhat in the European Union, Japan, China and India. World growth is expected to moderate from around 5% in 2006 to a still-robust 4% in 2007.
- In the United States, weakness in the housing sector is expected to reduce growth to around 2.5% in 2007. The U.S. economy is expected to return to economic growth of about 3%, beginning in 2008.
- Canada's Gross Domestic Product growth is forecast at 2.4% in 2007, down from 2.7% in 2006. Growth will continue to be constrained by a cooling U.S. economy and a relatively high Canadian dollar. Canada's growth is expected to pick up to 3% in 2008 as the U.S. economy rebounds.
- Canada's solid economic and fiscal fundamentals are expected to support the Canadian dollar at around 87 cents US over the forecast period.
- Oil prices are expected to ease from US$58 in 2007-08 to US$52.50 in 2009-10 as global production growth should exceed demand growth due to a large increase in non-OPEC supply. Natural gas prices are expected to average Cdn$6.75 per gigajoule in 2007-08 and remain in the $6.00 range for the remainder of the forecast period, as gas storage returns to more normal levels.

SOLID ALBERTA ECONOMIC OUTLOOK

- With the anticipated decline in global growth and oil prices, Alberta's economic growth is expected to moderate to a more sustainable pace of 3.8% in 2007, and average 3.5% from 2008 through 2010, supported by continued strength in investment, exports and consumer spending.
- Investment growth will continue to be spearheaded by oil sands and related activities. Oil sands investment is projected to rise to $12 billion (valued in 2007 dollars) in 2007 and remain strong throughout the forecast period.
- The Alberta economy is expected to create more than 170,000 jobs over the next four years. Continued strong gains in employment, along with very low unemployment rates, will support continued growth in real incomes.
- In 2007, housing starts are expected to remain near their 2006 record level of just under 49,000, before easing gradually to around 43,000 starts by 2010.
- With economic growth moderating, inflation is expected to moderate to 3% in 2007 (down from 3.9% in 2006) and to around 2% by 2010. The main driver of inflation in 2006 was house prices, which are expected to return to more sustainable rates of increase in 2007 and beyond.

Global growth to moderate but remain robust

China, India and southeast Asia are expected to continue to lead the global economy in 2007, with real growth of just under 10%. The U.S., Canada, Japan and Europe are projected to experience moderate growth of between 2% and 2.5%. Overall, global Gross Domestic Product growth is expected to slow to a still-robust 4% in 2007, down from 5% in 2006.

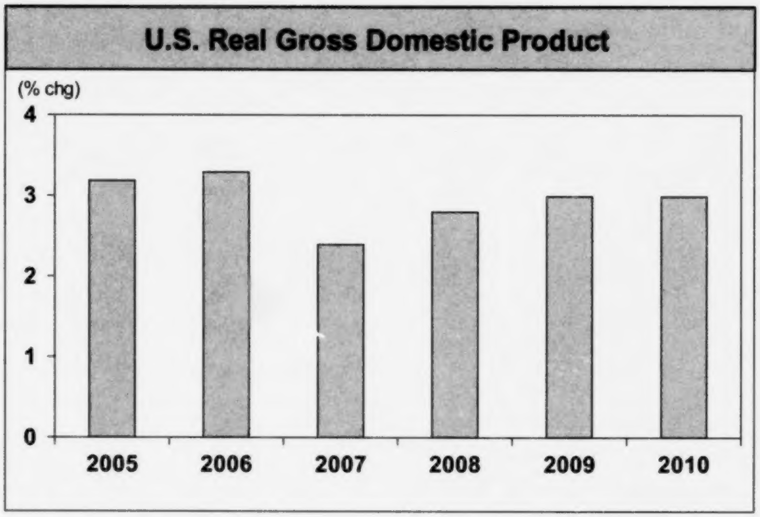


Source: Statistics Canada, International Money Fund, various national statistics agencies and Alberta Finance

Housing sector a drag on U.S. growth

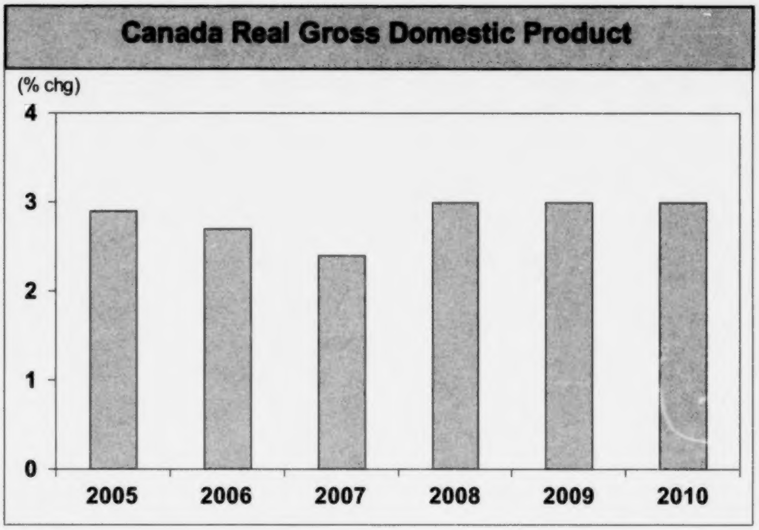
The U.S. economic growth peaked in the first quarter of 2006 and then slowed through the remainder of the year, pulled down by a slumping housing market and a weakening manufacturing sector.

Continued fallout from the housing slump is expected to limit U.S. Gross Domestic Product growth to about 2.5% in 2007, with growth rebounding to around 3% for the rest of the forecast period.



Source: U.S. Bureau of Economic Analysis and Alberta Finance

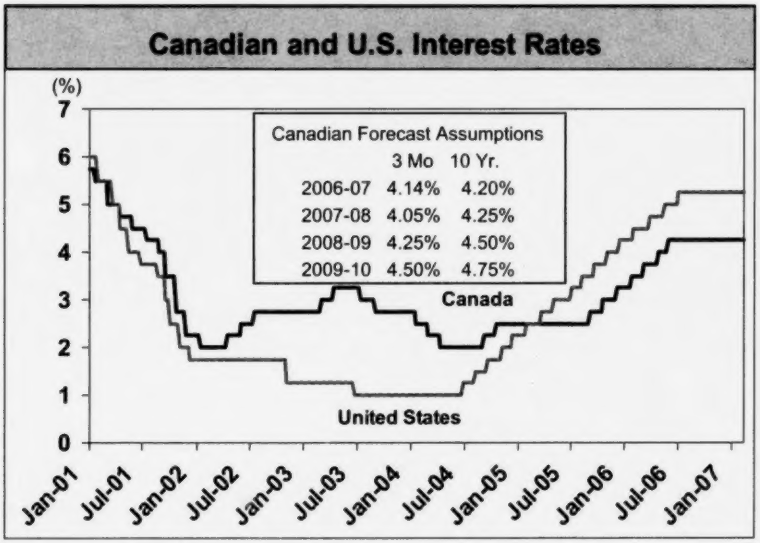
Trade sector to slow Canadian growth in 2007



Source: Statistics Canada and Alberta Finance

A slowing U.S. economy and rising competition from overseas economies continue to put pressure on the manufacturing sector, particularly in central Canada. The resource-based economies of western Canada and Newfoundland are expected to lead Canadian economic growth in 2007.

Interest rates to remain stable

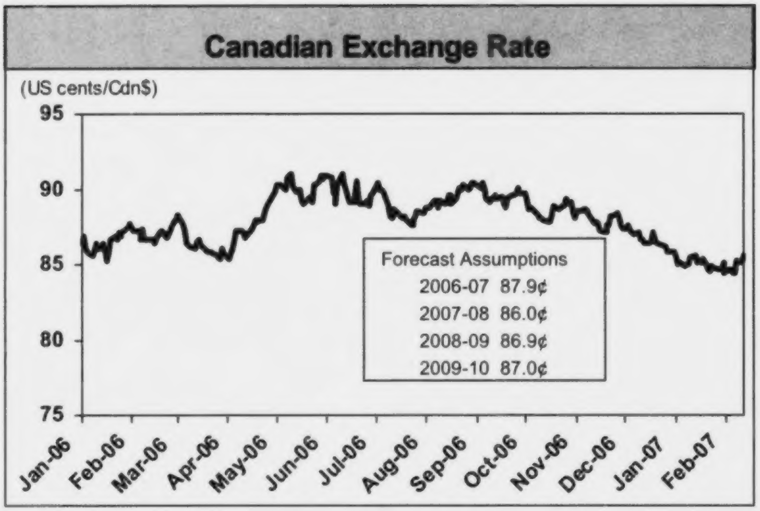


Source: Bank of Canada, U.S. Federal Reserve Board and Alberta Finance

With inflation under control nationally, Canadian interest rates are expected to remain relatively stable for the next several years. Monetary policy should continue to be moderately accommodative in both Canada and the United States.

Canadian dollar to remain stable despite lower commodity prices

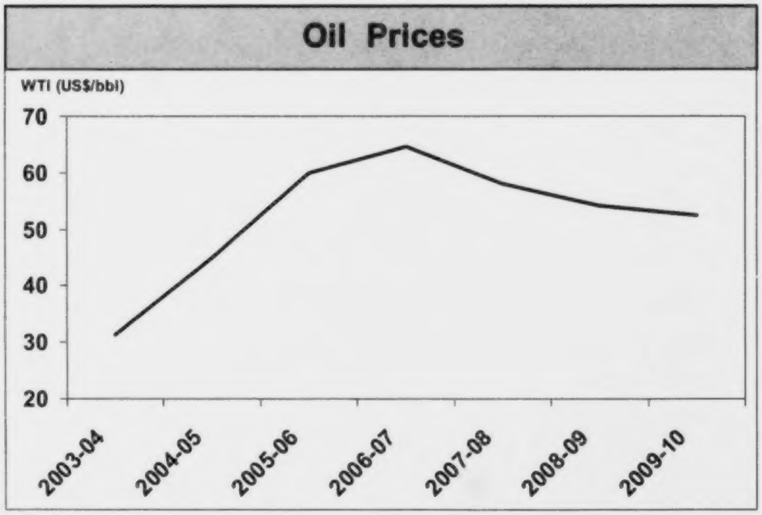
Declining commodity prices and moderating economic growth in Canada in the latter part of 2006 resulted in a depreciation of the dollar, which fell from a 14-year high of 91 cents US in May 2006 to under 85 cents US in January 2007. Canada's strong economic fundamentals and public finances are expected to provide support for the dollar at about 87 cents US over the next several years.



Source: Bank of Canada and Alberta Finance

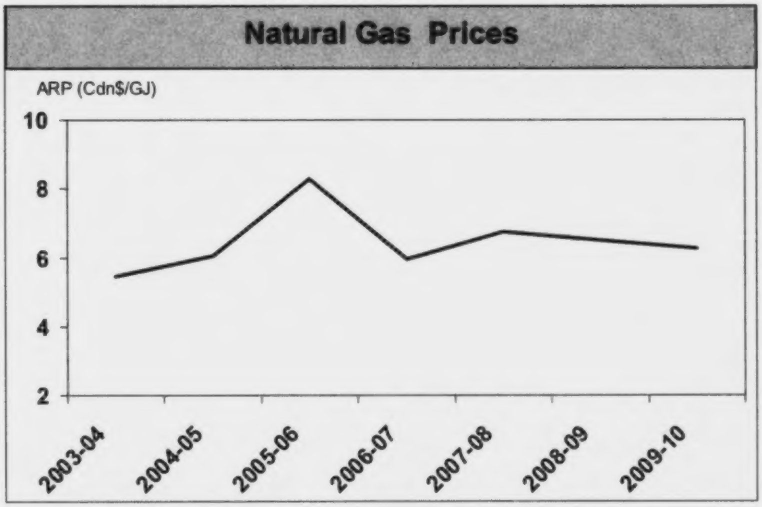
Oil prices expected to moderate

Due to increases in supply from non-OPEC producers, global oil production is expected to outpace demand in 2007 and 2008. This should lead to moderating world oil prices. Continued strong demand growth in emerging economies is likely to support prices near the US$50 level. Alberta Energy forecasts prices to average US$58 in 2007-08, declining to US$52.50 by 2009-10.



Source: Alberta Energy

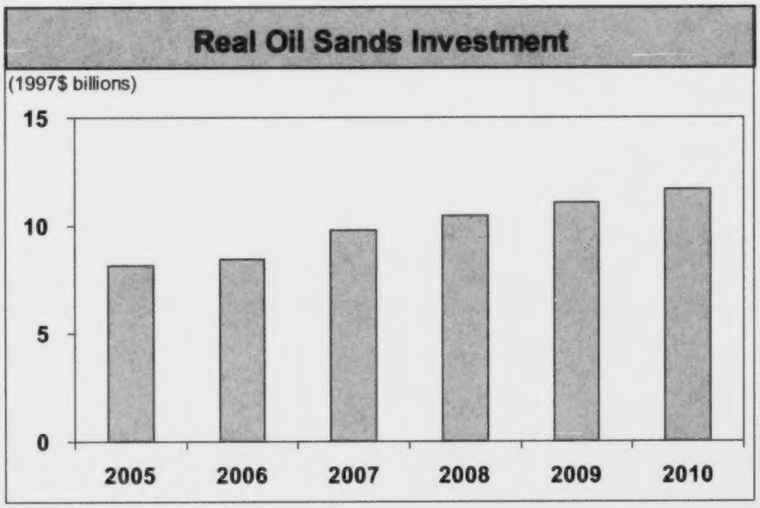
Natural gas prices expected to firm



Declining North American gas inventories are expected to provide some support to natural gas prices. Prices are forecast to average Cdn$6.75 per gigajoule in 2007. Increased supplies of liquified natural gas and lower oil prices are expected to reduce prices to $6.25 by 2009-10.

Source: Alberta Energy

Oil sands investment to remain strong



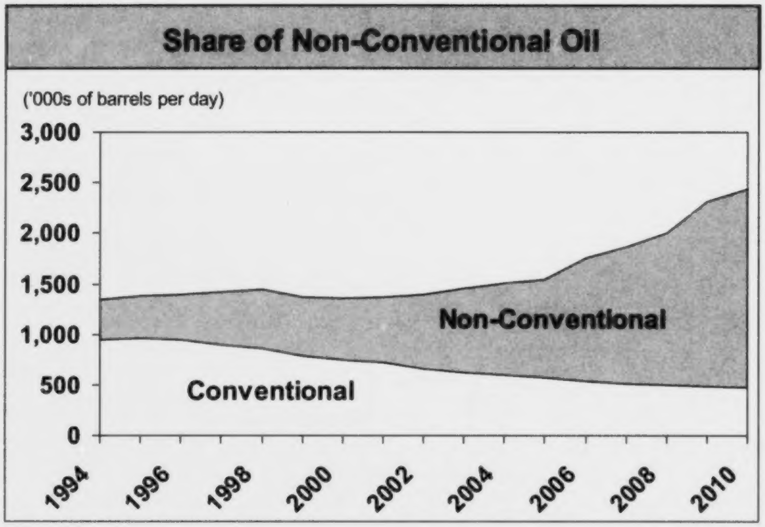
Massive investments in Alberta's oil sands are expected to remain a key driver of growth in Alberta. Real oil sands investment is expected to remain very strong at about $10-12 billion per year. Associated investments in oil upgraders and pipelines will also be major contributors to economic growth.

Source: Statistics Canada and Alberta Finance

Non-conventional oil increasingly important

Rising output from the oil sands is expected to take on a greater share of total oil production over the coming years. This will boost oil exports and provide strong support to Alberta's Gross Domestic Product (GDP).

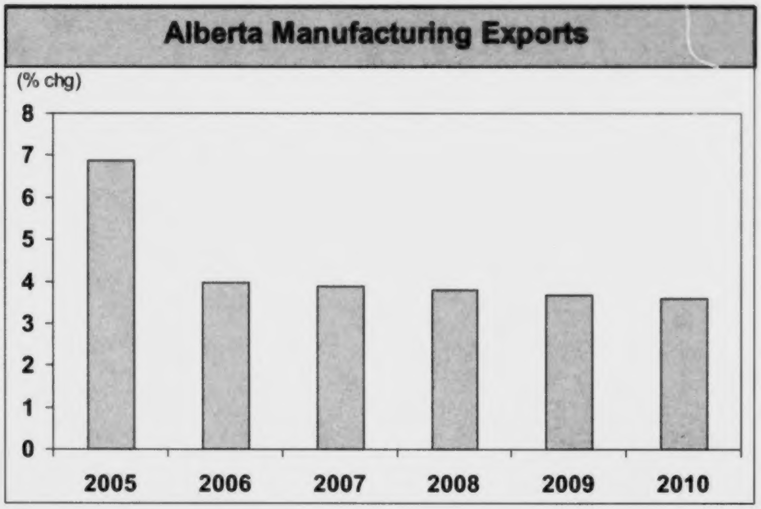
However, declining natural gas production is expected to dampen growth in Alberta's GDP. Also, higher use of natural gas within the province is forecast to put downward pressure on natural gas exports.


Share of Non-Conventional Oil

Source: Alberta Energy

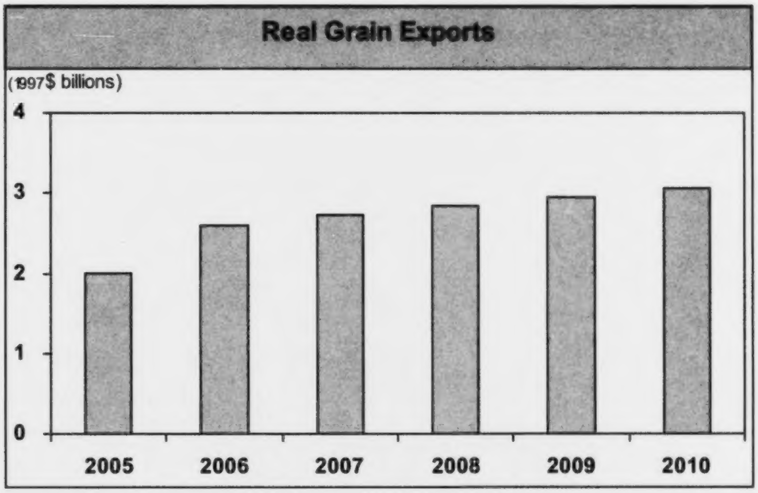
Manufacturing expected to see continued growth

Healthy global economic growth and robust industrial construction in North America should continue to lift Alberta's manufacturing exports, including machinery and fabricated metals. Manufacturers should also benefit from rising global demand for processed agricultural products. Overall, Alberta's manufacturing exports are expected to post real gains averaging 3.7% per year through 2010.


Alberta Manufacturing Exports

Source: Statistics Canada and Alberta Finance

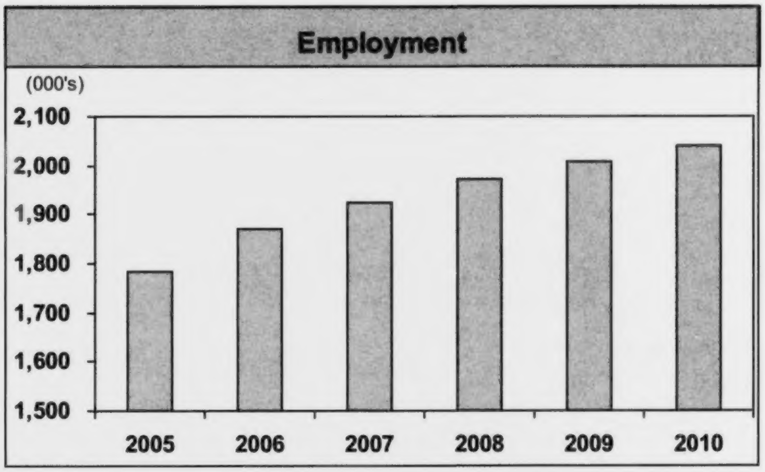
Grain exports to show solid growth



The agriculture sector is likely to experience higher prices in 2007. Grain and oil seed prices are likely to gain support in 2007 from continued strong growth in world demand for bio-fuel production and a reduction in global grain stocks. Demand from emerging nations is also likely to increase grain exports over the 2008-2010 period.

Source: Alberta Agriculture and Food and Alberta Finance

Healthy job growth ahead for Alberta

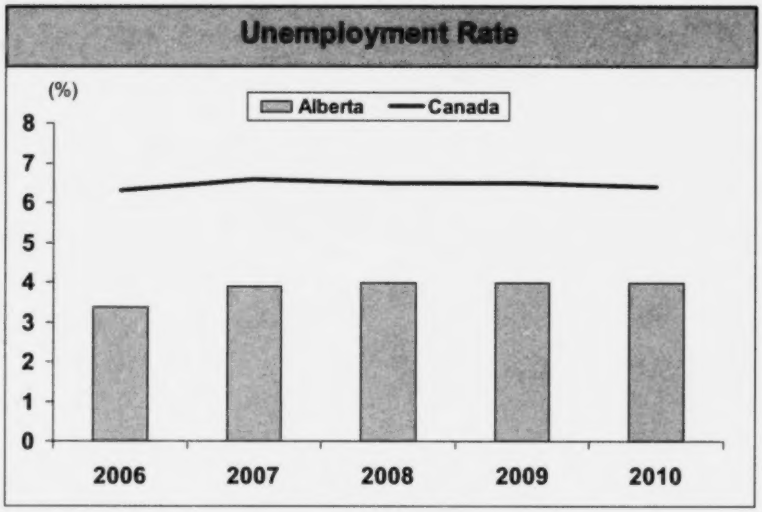


The Alberta economy is expected to continue to generate jobs at a healthy pace. Over the 2007-2010 period, Alberta is expected to create over 170,000 new jobs, for average growth of 2.2% per year, compared to 1.5% nationally.

Source: Statistics Canada and Alberta Finance

Tight labour market to continue

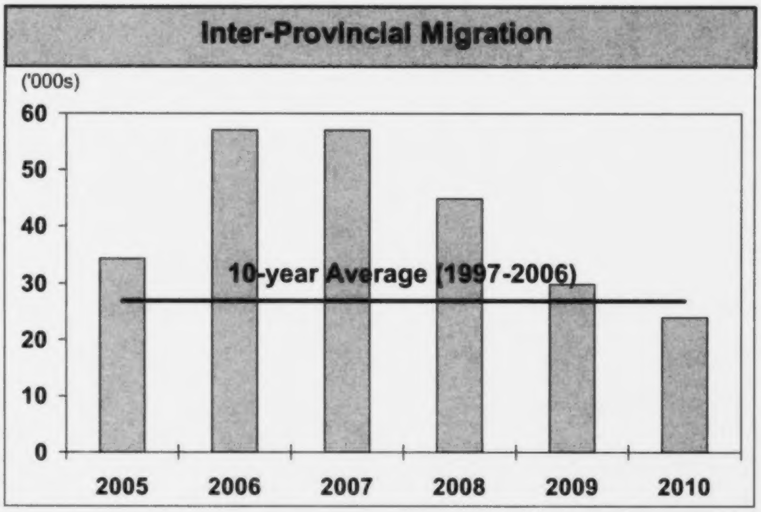
With continued strong job growth, Alberta's unemployment rate is expected to remain very low, averaging just 4% over the next three years, compared to over 6% for the national economy. Alberta will remain a "full-employment" economy.



Source: Statistics Canada and Alberta Finance

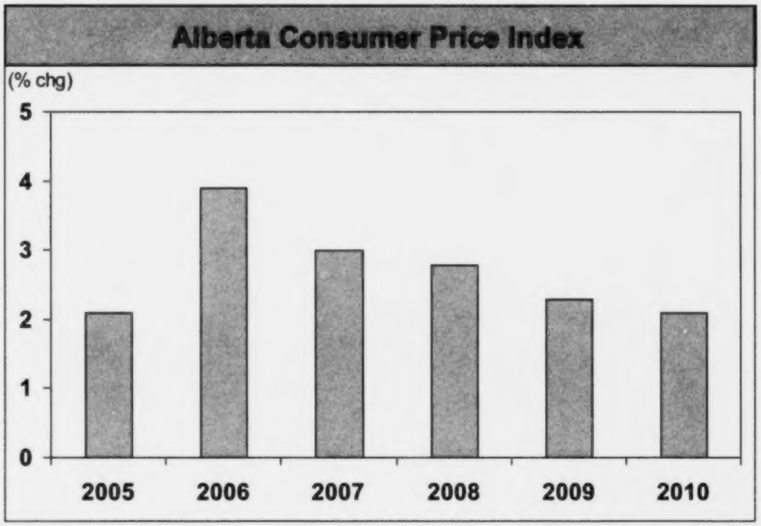
Net inter-provincial migration to slow

Higher housing costs, and rebounding growth in other provinces, are expected to play a role in moderating the pace of inter-provincial migration to Alberta. By 2010, inter-provincial migration to Alberta is expected to be just below the 1997 to 2006 average.



Source: Statistics Canada and Alberta Finance

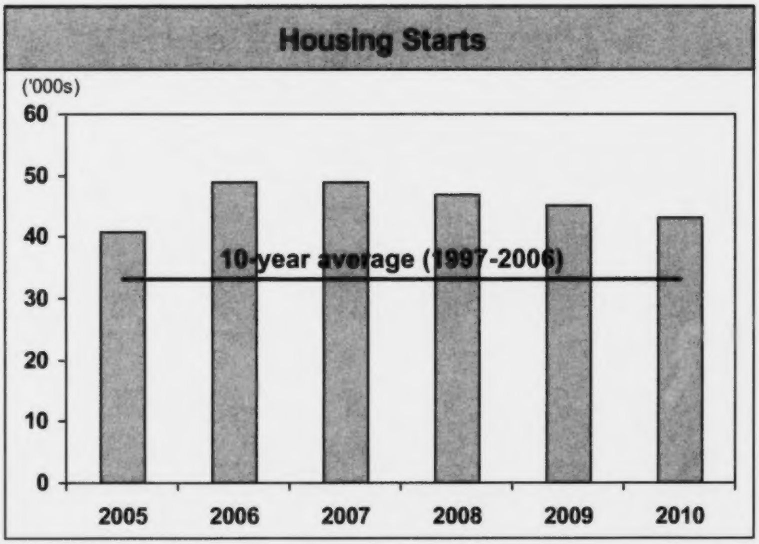
Inflation expected to ease



As a result of moderating growth in housing costs, Alberta's overall inflation rate is expected to decline over the forecast period, to around 2% by 2010. However, Alberta's tight labour market is expected to place continuing pressure on wages, particularly in high-demand sectors such as construction.

Source: Statistics Canada and Alberta Finance

Housing starts expected to level off

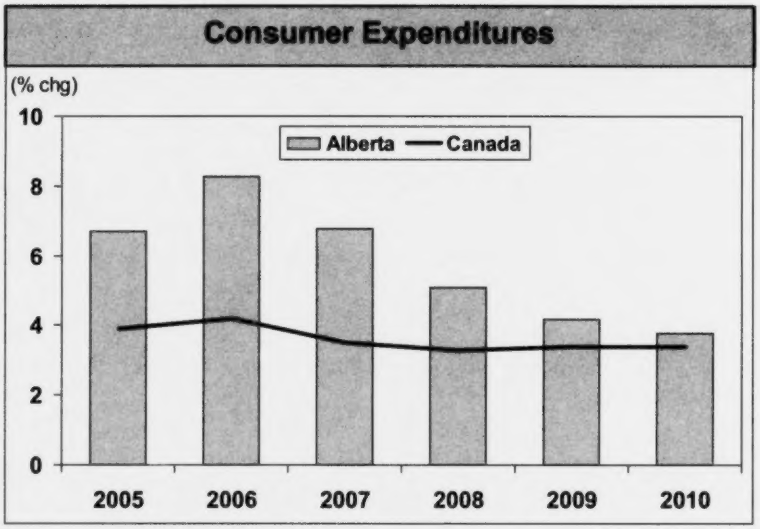


Despite the surge in housing starts in 2006, Alberta housing starts are expected to remain at or near record levels. Rising personal incomes and continued growth in population are expected to sustain housing starts at about 45,000 over the next three years.

Source: Canada Mortgage and Housing Corporation and Alberta Finance

Consumer spending expected to remain strong

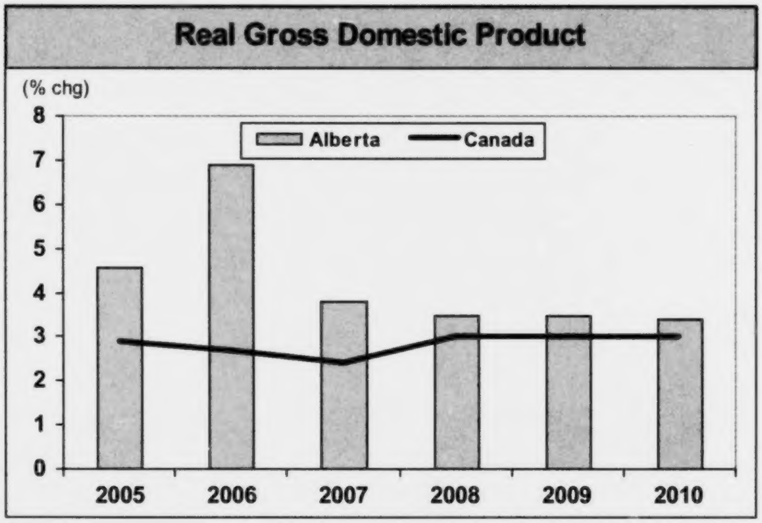
Moderating population growth is expected to restrain growth in Alberta's consumer expenditures over the forecast period. Nonetheless, real expenditures are expected to expand at a strong pace of nearly 7% in 2007 and level off to around 4% for the remainder of the forecast period.



Source: Statistics Canada and Alberta Finance

Alberta's economic growth to remain robust

High levels of investment, including, but not limited to the energy sector, are expected to sustain healthy economic growth in Alberta over the next three years. Alberta Finance forecasts that the province's real economic growth will be 3.8% in 2007, and average 3.5% over the remainder of the forecast period.



Source: Statistics Canada and Alberta Finance

ANNEX

KEY ASSUMPTIONS AND BENCHMARKING

Key Energy and Economic Assumptions

Fiscal Year Assumptions	**2004-05 Actual**	**2005-06 Actual**	**2006-07**	**2007-08**	**2008-09**	**2009-10**
Prices						
Crude Oil Price						
WTI (US$/bbl)	45.03	59.97	64.97	58.00	54.25	52.50
Alberta Wellhead (Cdn$/bbl)[a]	48.23	59.42	63.13	58.72	54.49	53.37
Bitumen @ Edmonton (Cdn/$bbl)[b]	25.67	33.52	36.53	28.29	26.93	26.42
Natural Gas Price						
Alberta Reference Price (Cdn$/GJ)	6.05	8.29	5.95	6.75	6.50	6.25
Production						
Conventional crude oil (000's barrels/day)	589	557	531	502	491	479
Non-conventional crude oil (000's barrels/day)	989	1,083	1,247	1,390	1,594	1,864
Natural gas (billions of cubic feet)	5,253	5,240	5,267	5,198	5,124	5,038
Interest rates						
3-month Canada treasury bills (%)	2.28	2.98	4.14	4.05	4.25	4.50
10-year Canada bonds (%)	4.54	4.04	4.20	4.25	4.50	4.75
Exchange Rate (US¢/Cdn$)	78.4	83.9	87.9	86.0	86.9	87.0

Calendar Year Assumptions	**2005 Actual**	**2006 Actual**	**2007**	**2008**	**2009**	**2010**
Gross Domestic Product						
Nominal (millions of dollars)	218,432	242,346[c]	258,104	274,057	285,473	297,874
% change	15.7	10.9	6.5	6.2	4.2	4.3
Real (millions of 1997 dollars)	142,896	152,701[c]	158,487	164,065	169,871	175,678
% change	4.6	6.9	3.8	3.5	3.5	3.4
Other Indicators						
Employment (thousands)	1,784	1,871	1,927	1,972	2,008	2,042
% change	1.5	4.8	3.0	2.3	1.9	1.7
Unemployment rate (%)	3.9	3.4	3.9	4.0	4.0	4.0
Personal Income	125,245	138,768[c]	149,337	159,186	168,461	177,109
Corporate Profits	52,424	57,341[c]	56,525	56,850	53,543	52,108
Housing starts (number of units)	40,847	48,962	48,900	46,900	45,300	43,300
Alberta Consumer Price Index (% change)	2.1	3.9	3.0	2.8	2.1	1.9
Population (thousands)	3,277.6	3,375.8	3,476.2	3,567.3	3,644.4	3,715.9
% change	2.2	3.0	3.0	2.6	2.2	2.0

[a] Refers to the average price per barrel of Alberta light, medium and heavy oil.

[b] The bitumen price is an estimate prepared by Alberta Energy of the price at Edmonton and is not an actual market price.

[c] Estimated.

Risks to the Economic Outlook

ENERGY PRICES

- Energy markets remain highly volatile. Crude oil prices could change dramatically one way or the other depending on geopolitical developments. Further declines in natural gas prices are possible in response to high inventory levels.

U.S. ECONOMY

- While the U.S. economy appears to be adjusting reasonably well to the slowdown in housing, there remain concerns that the difficulties in this sector could spread to other areas of the economy.
- In addition, there are ongoing concerns regarding the high U.S. current account (trade) and budget deficits.

CAPACITY PRESSURES

- Continuing labour shortages could constrain Alberta's future economic growth, limiting job creation and generating wage growth "spill-overs" throughout the economy.
- Further large increases in inter-provincial migration, while helping to address labour shortages, could exacerbate current demand and price pressures in Alberta's housing market.

Sensitivities to Fiscal Year Assumptions, 2007-08[a]

(millions of dollars)

	Annual Change	Revenue	Spending	Net Change
Oil Price (WTI US$/bbl)	-$1.00	-139	--	-139
Natural Gas Price (Cdn$/GJ)	-10¢	-98	--	-98
Exchange Rate (US¢/Cdn$)	+1¢	-123	--	-123
Interest Rates	1%	-227	+5	-232
Personal Income ($million)	-100	-6	--	-6
Corporate Profits ($million)	-100	-8	--	-8

[a] Sensitivities are based on current assumptions of prices and rates and show the effect for a full 12 month period. Sensitivities can vary significantly at different price and rate levels. The energy price sensitivities do not include the potential impact of price changes on the revenue from land sales. The interest rate sensitivity has two components, an increase in cash interest income and a capital loss. When interest rates rise, bond prices go down, causing a capital loss.

Oil Price Forecast Benchmark

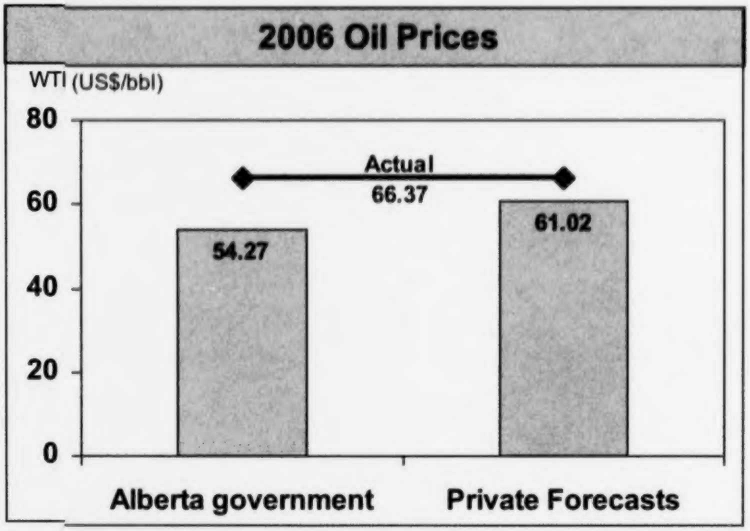
West Texas Intermediate (US$/bbl)

Organization	2007	2008	2009	2010
National Forecasting Agencies				
Conference Board of Canada (Mar/07)	61.31	63.26	63.11	64.17
Global Insight (Mar/07)	59.49	61.42	61.96	61.75
Investment Dealers				
CS First Boston (Jan/07)	62.50	62.50	62.50	62.50
Goldman Sachs (Feb/07)	66.00	68.00	68.00	45.00
JP Morgan (Jan/07)	61.00	52.00	n/a	n/a
Lehman Brothers (Mar/07)	62.00	63.50	65.00	67.00
RBC Capital Markets (Mar/07)	60.00	50.00	45.00	45.45
GLJ Petroleum Consultants (Jan/07)	62.00	60.00	58.00	57.00
Sproule Associates Limited (Feb/07)	59.65	62.98	62.55	58.37
Industry Analysts				
Canadian Energy Research Institute (Mar/07)	56.00	57.00	n/a	n/a
U.S. Energy Information Administration (Mar/07)	62.00	63.75	n/a	n/a
Confidential Forecasts Provided to Alberta Energy[a]				
Average	59.60	57.32	55.04	55.01
High	66.00	68.00	68.00	67.00
Low	55.31	48.67	44.15	44.15
Average of All Private Forecasts	**60.47**	**59.31**	**58.86**	**56.77**
Alberta Government (calendar year)	**58.28**	**55.13**	**52.64**	**52.28**

[a] The Alberta Department of Energy also surveys, on a confidential basis, private forecasts from PIRA, PEL, Petral, Purvin & Gertz, Groppe Long & Littell, CGES, Ross Smith Energy and Wood Mackenzie. The annual figures presented are the average forecast prices from these sources.

How oil price forecasters did in Budget 2006

Both the Alberta government and the private sector underestimated oil prices last year.



Source: Alberta Finance and Alberta Energy

Natural Gas Price Forecast Benchmark

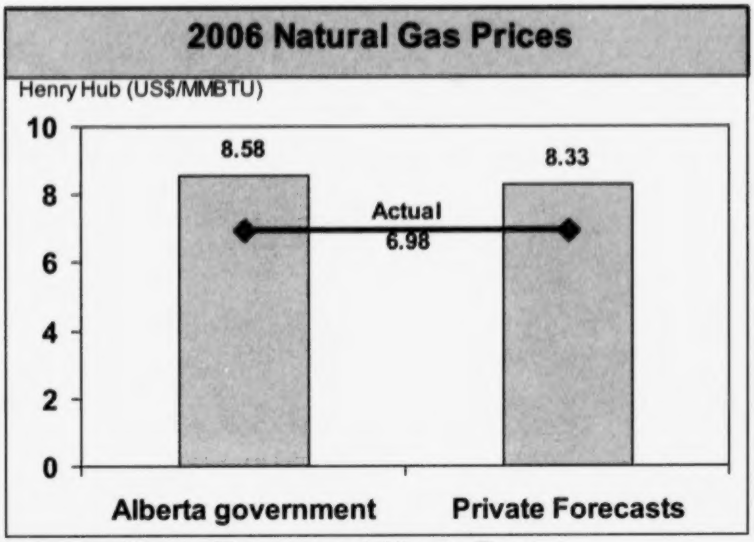
Henry Hub (US$/MMBTU)[a]

Organization	2007	2008	2009	2010
National Forecasting Agencies				
Global Insight (Mar/07)	7.66	8.30	8.04	7.64
Investment Dealers				
GLJ Petroleum Consultant (Jan/07)	7.25	7.50	7.50	7.50
National Bank Financial (Feb/07)	7.50	7.50	7.00	6.50
RBC Capital Markets (Mar/07)	7.00	7.50	6.75	6.82
Sproule Associates Limited (Feb/07)	7.76	8.27	7.87	7.48
Peters & Co Limited (Feb/07)	6.80	7.80	7.00	7.07
Industry Analysts				
U.S. Energy Information Administration (Mar/07)	7.40	7.86	n/a	n/a
Confidential Forecasts Provided to Alberta Energy[b]				
Average	6.89	6.88	6.28	6.11
High	7.92	8.30	8.04	7.64
Low	5.87	4.34	5.61	5.25
Average of All Private Forecasts	**7.12**	**7.38**	**7.00**	**6.82**
Alberta Government (calendar year)	**6.98**	**7.26**	**6.46**	**6.62**

[a] The natural gas price is the US price of gas at Henry Hub Louisiana, as this is the benchmark for natural gas prices in the rest of North America. The Alberta government forecast in the table above is the US Henry Hub price, and is based on the Alberta Reference Price used in natural gas royalty calculations, adjusted for the exchange rate and transportation costs.

[b] The Alberta Department of Energy also surveys, on a confidential basis, private forecasts from the following forecasters: PIRA, RSEG, Petral, Purvin & Gertz, Groppe Long & Littell and Wood Mackenzie. The annual figures presented are the average forecast prices from these sources. Forecasts are Henry Hub prices (US$/mmbtu).

How natural gas price forecasters did in Budget 2006



Source: Alberta Finance and Alberta Energy.

Natural gas prices were overestimated by both the Alberta government and the private sector in Budget 2006.

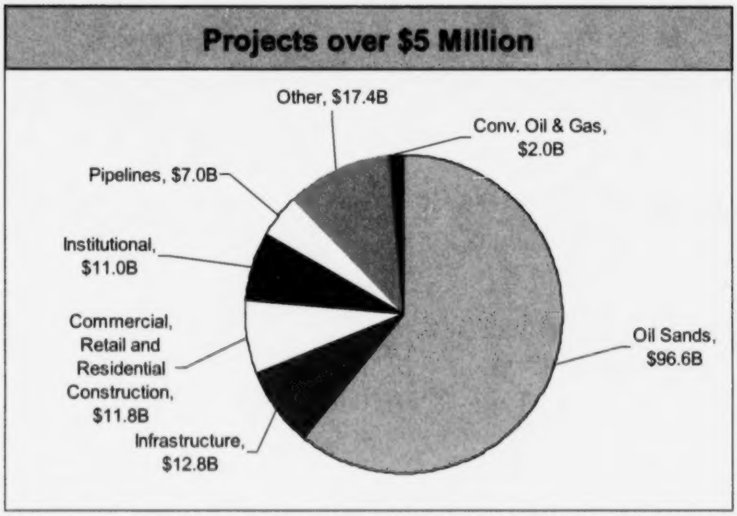
Alberta Real Gross Domestic Product Forecast Benchmark

(per cent change)

Organization	2007	2008	2009	2010
National Forecasting Agencies				
Conference Board of Canada (Feb/07)	4.7	4.3	3.7	3.9
Centre for Spatial Economics (Dec/06)	3.3	3.6	3.6	3.9
Global Insight (Jan/07)	4.5	3.8	3.6	3.5
Banks				
CIBC World Markets (Oct/06)	5.5	n/a	n/a	n/a
RBC Royal Bank (Jan/07)	3.6	3.2	n/a	n/a
Scotiabank (Mar/07)	3.8	3.6	n/a	n/a
Toronto Dominion Bank (Jan/07)	3.6	2.9	n/a	n/a
Other				
BMO Nesbitt Burns (Jan/07)	4.0	4.2	n/a	n/a
Canada Mortgage and Housing Corporation (Jan/07)	4.5	4.0	n/a	n/a
High	5.5	4.3	3.7	3.9
Low	3.3	2.9	3.6	3.5
Average	4.2	3.7	3.6	3.8
Alberta Government (calendar year)	**3.8**	**3.5**	**3.5**	**3.4**

Almost $160 Billion in Major Projects

(Major projects valued at $5 million or greater that are planned, underway or have recently been completed.)



Source: Alberta Employment, Immigration and Industry

Announced Major Projects Over $1Billion

Announced or Under Construction

Company Name	Location	Type of Project	Cost ($billions)	Timing
Canadian Natural Resources Ltd.	Regional Municipality (RM) of Wood Buffalo	Project Horizon' Mining and Drilling Project Phase 1	6.8	2005-2008
Suncor Energy Inc.	RM of Wood Buffalo	'Voyageur' Oil Sands Facility Expansion	5.9	2007-2010
Shell Canada / Chevron Canada / Western Oil Sands	Strathcona Country (Scotford)	Scotford Upgrader Expansion for Alberta Oil Sands Project	5	2006-2010
OPTI Canada Inc. / Nexen Inc.	RM of Wood Buffalo (near Anzac)	Long Lake' SAGD Heavy Oil Project Phase 1	4.6	2004-2007
SynEnCo Energy Inc. / SinoCanada Petroleum Corp	RM of Wood Buffalo	"Northern Lights' Oil sands Mine and Extraction Plant Phases 1 and 2	4.4	2007-2010
Suncor Energy Inc.	RM of Wood Buffalo	Upgrader Expansion	2.1	2006-2008
Petro-Canada Oil and Gas	Strathcona County	Strathcona Refinery Conversion to Upgrade Bitumen	1.6	2004-2008
North West Upgrading Inc.	Sturgeon County	Bitumen Upgrader Phase	1.6	2007-2009
Syncrude Canada Ltd.	RM of Wood Buffalo	Continuous Improvement	1.5	1997-2007
ConocoPhillips Canada / TotalFinaElf / Devon Energy	RM of Wood Buffalo	'Surmont' SAGD Bitumen Commercial Project	1.4	2004-2013
Alberta Infrastructure and Transportation	Across Alberta	Highway Twinning Project	1.4	1998-2009

* *See www.alberta-canada.com/statpub/AlbertaConstructionProjects for a list of major projects valued at $5 million or greater.*

ALBERTA ADVANTAGE

BUDGET 2007
MANAGING OUR GROWTH

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Alberta Advantage

Alberta's vision is "A vibrant and prosperous province where Albertans enjoy a superior quality of life and are confident about the future for themselves and their children."

The Alberta Advantage uses widely accepted performance indicators to measure our progress in achieving that vision. The Alberta Advantage is organized into three categories: the economy, the people, and the government.

The Alberta Advantage includes:

- a strong and vibrant economy
- a young, skilled and productive workforce
- a beautiful natural environment
- an abundance of natural resources
- a highly entrepreneurial and competitive business community
- a fiscally responsible provincial government, committed to responsible regulation
- the lowest overall tax load of any province in Canada, including no retail sales tax.

The Government of Alberta Strategic Business Plan sets out the five government priorities that will be the focus for government action:

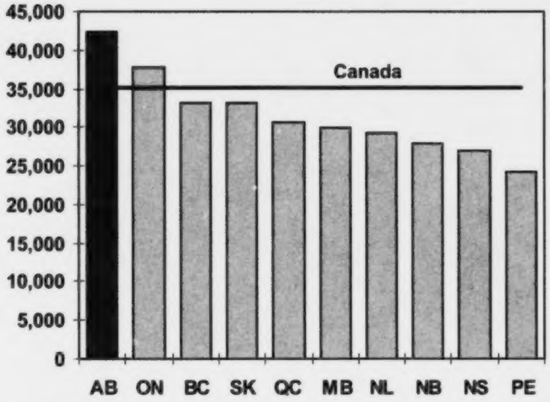
- **Govern with Integrity and Transparency**
- **Manage Growth Pressures**
- **Improve Albertans' Quality of Life**
- **Build a Stronger Alberta**
- **Provide Safe and Secure Communities**

Strategies that support the five government priorities will enhance the Alberta Advantage and ensure that Alberta keeps pace with strong economic growth and becomes an even better place to live, work and visit.

Alberta is truly "the place to be."

REAL GDP PER CAPITA

2002-2006 Annual Average (dollars per capita)*

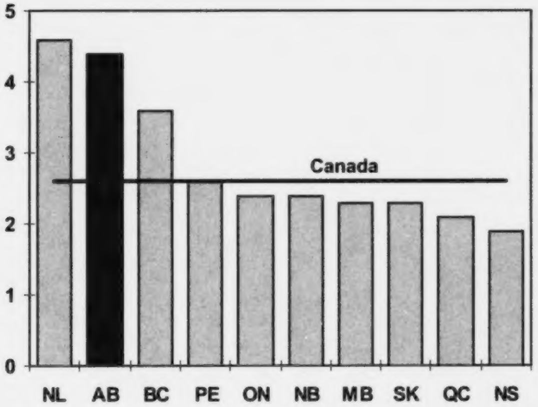


* 2006 GDP estimated for provinces.
Source: Statistics Canada, Alberta Finance and the Conference Board of Canada

- Alberta has the highest real gross domestic product per capita among provinces.
- Since 2002, Alberta's real gross domestic product per capita has averaged 12.3% higher than second place Ontario.

REAL ECONOMIC GROWTH

2002-2006 Average Annual Growth in GDP (per cent)*

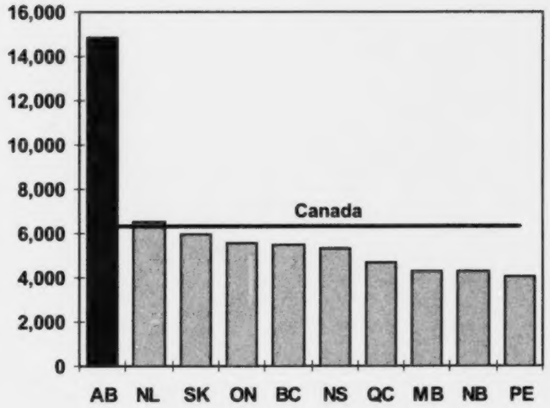


* 2006 GDP estimated for provinces.
Source: Statistics Canada, Alberta Finance and the Conference Board of Canada

- Alberta's economic growth rate was the second highest in Canada over the past five years.
- In 2006, Alberta's real output grew by an estimated 6.9%.

INVESTMENT PER CAPITA

2002-2006 Annual Average (dollars per capita)*

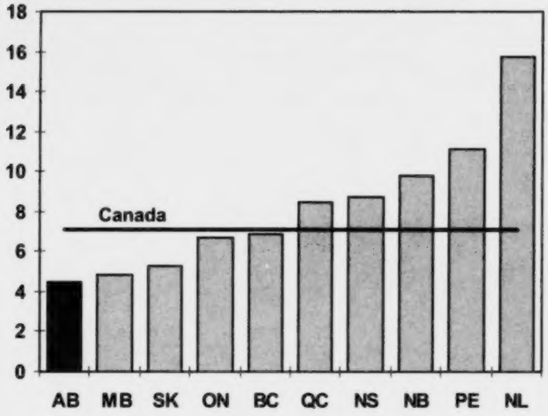


* 2005 & 2006 preliminary actual.
Source: Statistics Canada

- Alberta continues to be far ahead in total private sector investment per capita, as we have for decades.
- Over the past five years, Alberta's investment per capita has been more than double that of the next highest province, Newfoundland and Labrador.

UNEMPLOYMENT RATE

2002-2006 Annual Average (per cent)

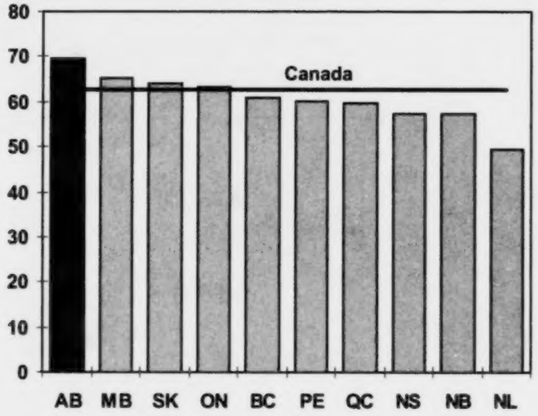


Source: Statistics Canada

- Over the past five years, Alberta's average unemployment rate of 4.5% was lowest among the provinces, well below the national average of 7.1%.
- In 2006, Alberta's unemployment rate of 3.4% was the lowest in Canada.

EMPLOYMENT TO POPULATION RATIO

2002-2006 Annual Average (per cent)*



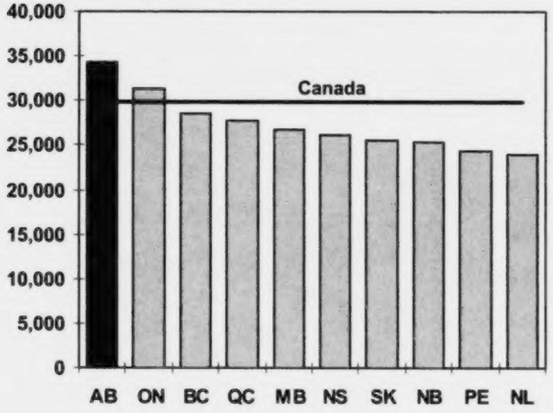
* The employment to population ratio is the total of those employed divided by the population aged 15 and over.

Source: Statistics Canada

- Compared to other provinces, more Albertans are working relative to the size of our working age population.
- Alberta's employment to population ratio is 4.5 percentage points above second place Manitoba.

PERSONAL INCOME

2001-2005 Annual Average (dollars per capita)

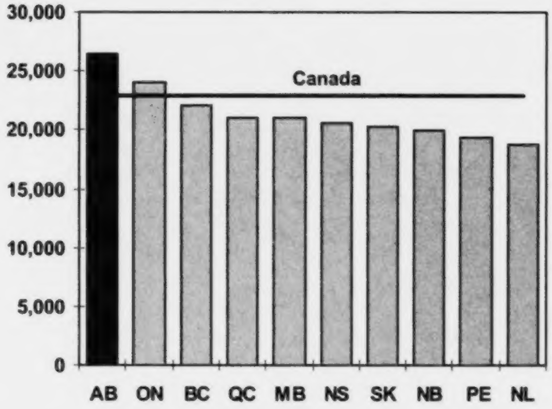


Source: Statistics Canada

- Over the five years ending in 2005 (the most recent data available), Albertans enjoyed the highest personal income per capita.
- In 2005, Alberta had the highest personal income per capita among provinces at $38,208, 20% above the national average.

PERSONAL DISPOSABLE INCOME

2001-2005 Annual Average (dollars per capita)*



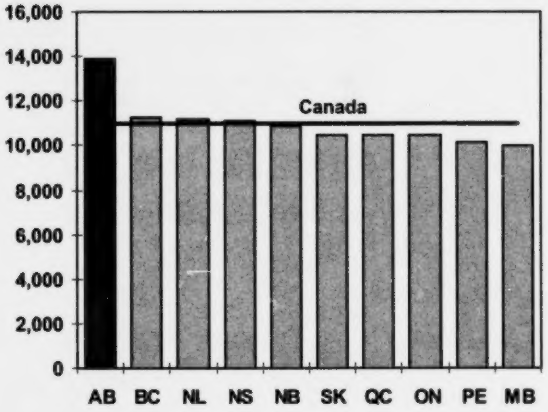
* Personal income less income and payroll taxes and other current transfers to government.

Source: Statistics Canada

- Over the five years ending in 2005, Alberta's personal disposable income per capita was the highest in Canada. At $26,606, Alberta's 2005 personal disposable income per capita was 21% above the national average.
- With no general retail sales tax, Alberta's disposable income advantage translates into even greater purchasing power.

RETAIL SALES PER CAPITA

2002-2006 Annual Average (dollars per capita)

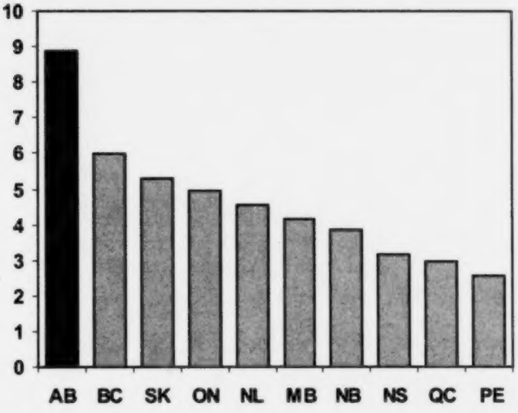


Source: Statistics Canada

- Alberta continues to lead all provinces in retail sales per capita.
- Over the past five years, Alberta's retail sales per capita has been approximately 25% above the national average.

INVESTMENT CLIMATE

2007 (score out of 10)

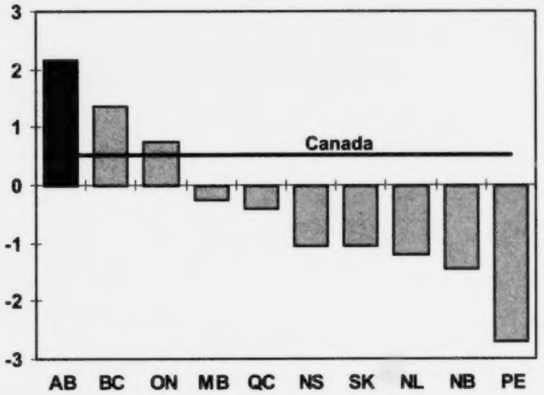


Source: Fraser Institute, Canadian Provincial Investment Climate Report, 2007 Edition

- Based on the Fraser Institute's 2007 Canadian Provincial Investment Climate Report, Alberta "was clearly Canada's top province for policies that encourage and sustain a positive investment climate."

BUSINESS GROWTH

2002-2006 Annual Average (per cent growth in # of firms)*



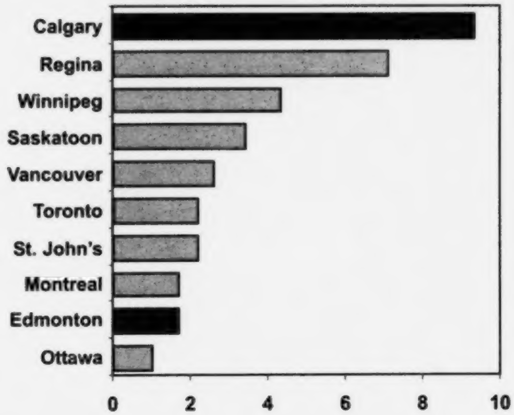
* Businesses include all incorporated and unincorporated firms, except self-employed individuals and single person firms.

Source: Business count estimates: Business Registry, Statistics Canada

- Over the past five years, Alberta's average business growth has been the highest of any province in Canada.

CORPORATE HEADQUARTERS

2005 (number of head offices per 100,000 population)*



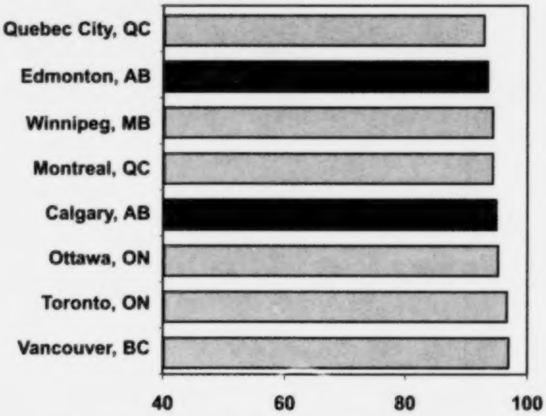
* Top 800 publically traded companies incorporated in Canada based on revenue. Head office counts current as of June 2005 publication date of National Post Business: FP 500

Source: National Post Business, Statistics Canada and Calgary Economic Development

- Calgary has approximately 9.3 head offices for every 100,000 persons, the highest of any Canadian city.

BUSINESS COSTS INDEX

2006 (US=100.0)*

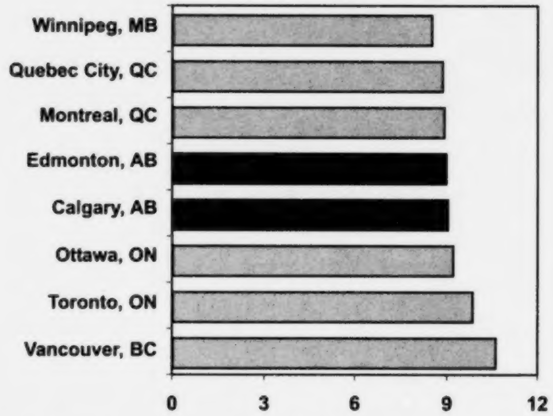


* Based on 27 components of after-tax costs for start-up and operations over 10 years. Only those cities with a population of 500,000 and greater are surveyed.
Source: KPMG

- Based on KPMG's study of business costs Edmonton and Calgary are competitive among major Canadian cities.
- An Edmonton business would have an overall 11% cost advantage over the average U.S. city.

INITIAL INVESTMENT COSTS

2006 (US$ millions)*

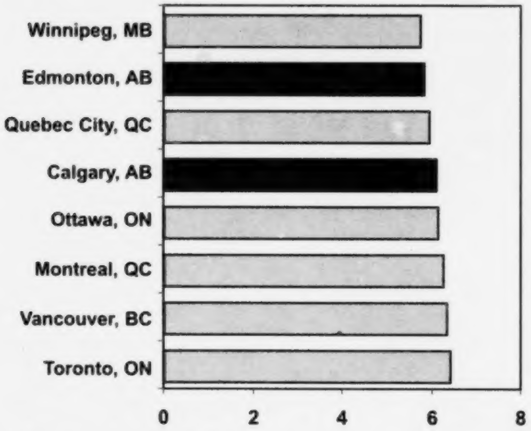


* Only those cities with a population of 500,000 and greater are surveyed.
Source: KPMG

- Edmonton and Calgary have among the lowest initial investment costs in Canada. These costs consist of land acquisition and building construction costs.

ANNUAL LABOUR COSTS

2006 (US$ millions)*

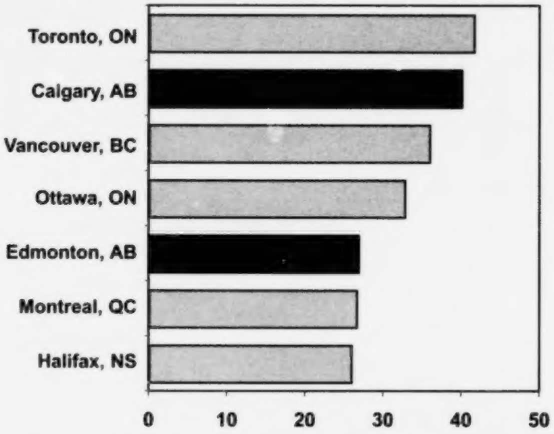


* Data compiled in the latter half of 2005.
Only those cities with a population of 500,000 and greater are surveyed.
Source: KPMG

- Edmonton has the second lowest labour costs among major Canadian cities. Labour costs are a major factor affecting business location decisions.

OFFICE OCCUPANCY COSTS

2006 (dollars per square foot)*

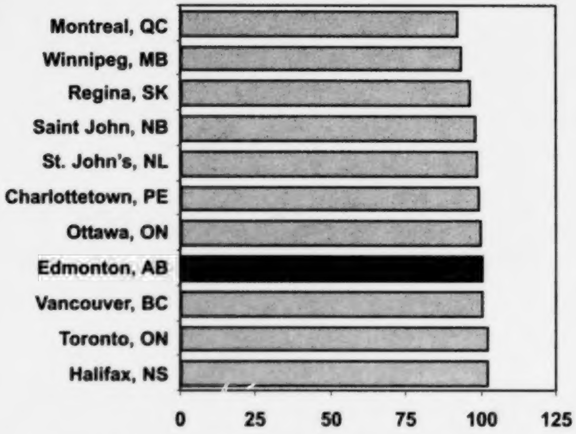


* Occupancy costs include average net rental rates, taxes and operating costs for typical "Central Area" offices.
Source: Cushman & Wakefield LePage

- Edmonton has among the lowest overall office occupancy costs among major Canadian cities.
- Calgary has lower occupancy costs than Toronto.

DAILY LIVING PRICE INDEX

December 2006*

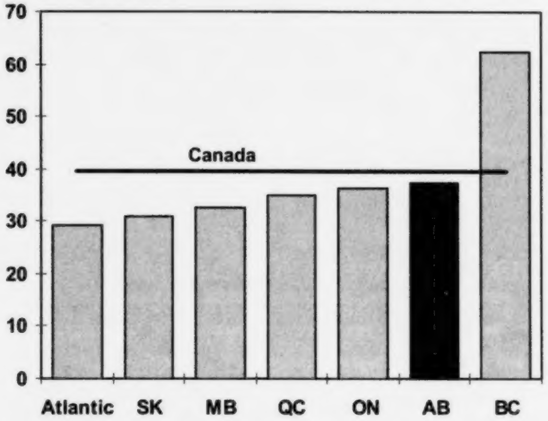


* Converted to index of Edmonton = 100. No data available for Calgary.
Source: Statistics Canada

- Even with Alberta's booming economy, Edmonton's daily cost of living continues to remain competitive when compared to other major urban centres in the country.

HOUSING AFFORDABILITY

2006,Q4 (home ownership costs as a per cent of pre-tax household income)*

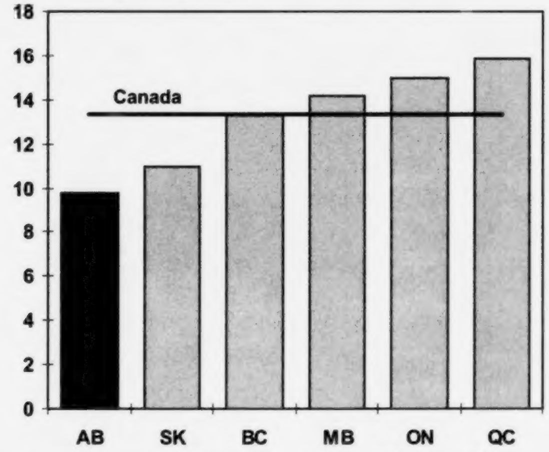


* Home ownership costs include mortgage payments, utilities, and property taxes.
Source: Royal Bank of Canada

- Despite Alberta's hot housing market, housing affordability in Alberta remains competitive among the provinces and regions.

NATURAL GAS RATES

2006 Average (dollars/GJ)*

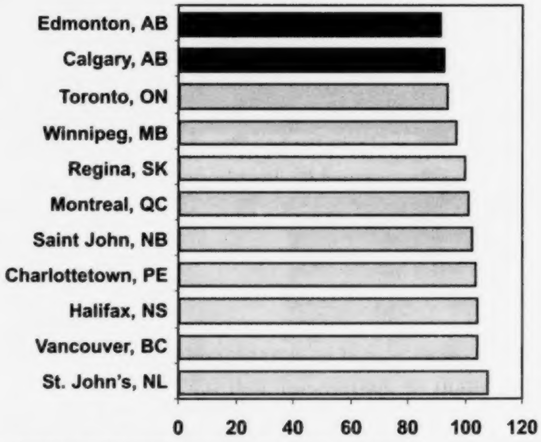


* January to November only. Calculated as sales revenue divided by sales volume. Includes gas costs, as well as all fixed and variable charges, but excludes taxes and rebates.
Source: Statistics Canada

- Albertans enjoyed the lowest residential natural gas rates in Canada during the first eleven months of 2006 (the most recent data available).

GASOLINE PRICES

2006 Average (cents per litre)*



* Regular unleaded gasoline at self-service stations, taxes included.
Source: Statistics Canada

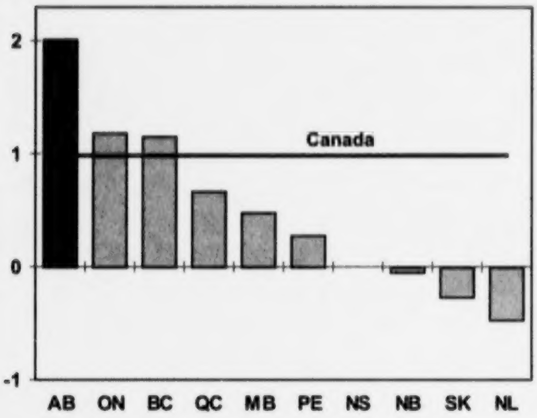
- Calgary and Edmonton continue to have the lowest gasoline prices in Canada, a trend that has been observed for the last fifteen years.

The People

YOUNG, SKILLED, PRODUCTIVE

POPULATION

2002-2006 Average Annual Growth (per cent)*

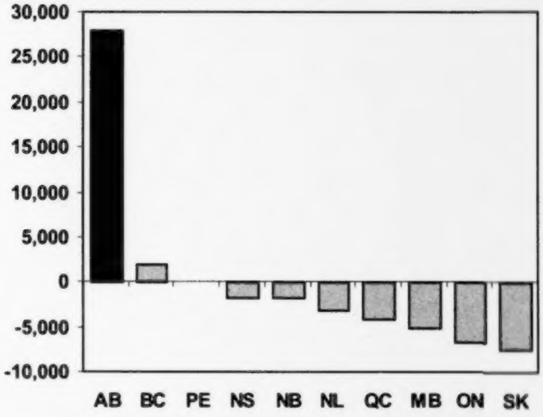


* Annual population based on 3rd quarter (July 1) estimates.
Source: Statistics Canada

- Over the past five years, Alberta's population has grown the fastest among provinces.
- In 2006, Alberta's population growth of 3.0% led the provinces.

NET INTERPROVINCIAL MIGRATION

2002-2006 Annual Average (net number of interprovincial migrants)*

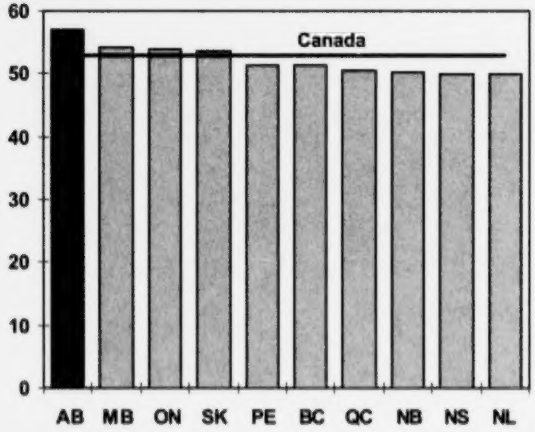


* July 1, 2001 to June 30, 2006.
Source: Statistics Canada

- Alberta had the highest number of interprovincial migrants in Canada over the past five years.
- From July 2005 to June 2006, a net of 57,105 migrants came to Alberta from other provinces. British Columbia, at 3,779, was the only other province to experience positive net interprovincial migration during that period.

SHARE OF POPULATION UNDER 40

2002-2006 Annual Average (per cent of total population)

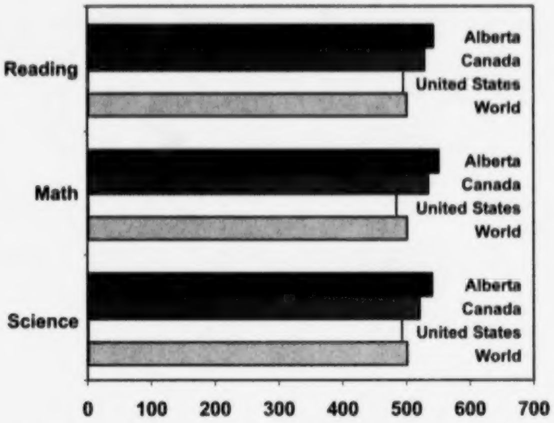


Source: Statistics Canada

- Alberta has the youngest population among provinces.
- In 2006, just over 57% of Albertans were under the age of 40. This is four percentage points above the national average.

PERFORMANCE OF STUDENTS AGED 15

2003 Results (scaled to average score of 500)

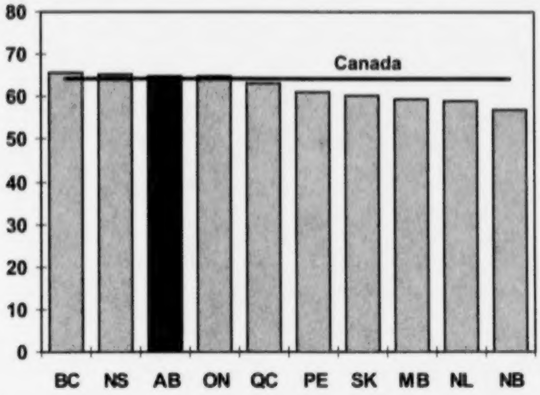


Source: Organisation for Economic Co-operation and Development (OECD)

- In 2003, the performance of students aged 15 in Alberta was significantly above the Canadian, United States and international averages in reading, mathematics and science.
- Out of 41 countries and Canada's ten provinces, Alberta scored second highest in mathematics and reading and fourth highest in science.

POPULATION AGED 25-64 WITH POST-SECONDARY EDUCATION

2002-2006 Annual Average (per cent of total population)*



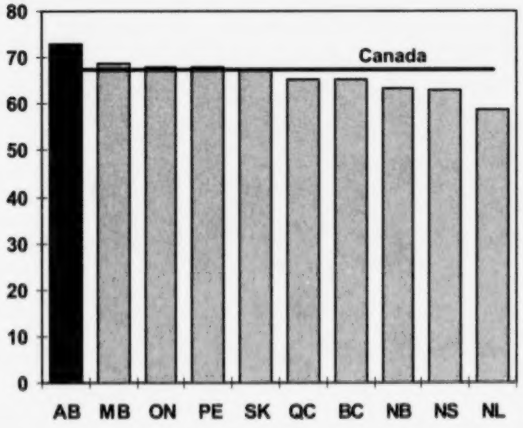
* Includes some post-secondary and completed post-secondary certificates, diplomas, and university degrees.

Source: Statistics Canada

- Alberta has the third best educated workforce in Canada, only 0.6 points below the highest, British Columbia.
- Approximately 65% of Albertans aged 25 to 64 have post-secondary education.

PARTICIPATION RATE

2002-2006 Annual Average (per cent)*



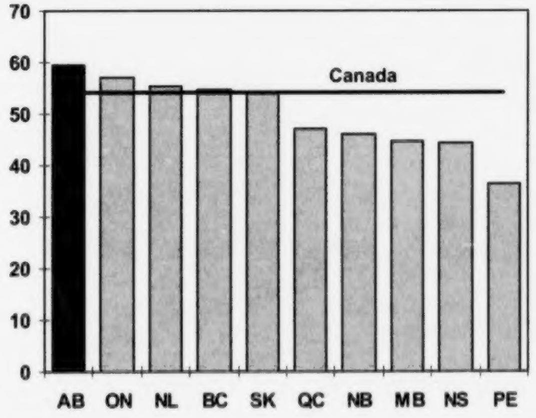
* The participation rate is the total of those aged 15 and over, who are employed or looking for work, divided by the population aged 15 and over.

Source: Statistics Canada

- Over the past five years, Alberta has the highest labour force participation rate in Canada, 4.4 percentage points higher than second place Manitoba.

LABOUR PRODUCTIVITY

2002-2006 Annual Average (dollars of real GDP per hour worked)*



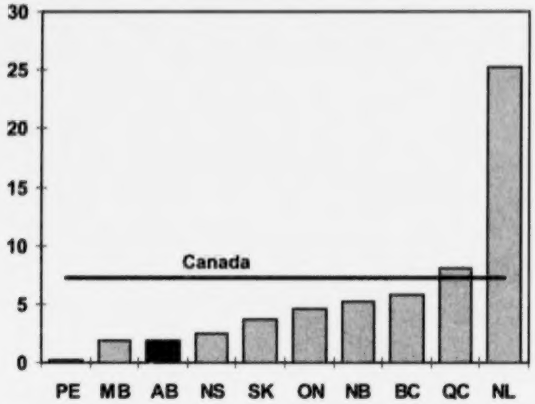
* 2006 GDP estimated for provinces.

Source: Statistics Canada, Alberta Finance and the Conference Board of Canada

- Albertans are the most productive workers in Canada, as measured by real GDP dollars produced per hour worked.

LABOUR RECORD

2001-2005 Annual Average (person days lost due to disputes per 10,000 person days worked)

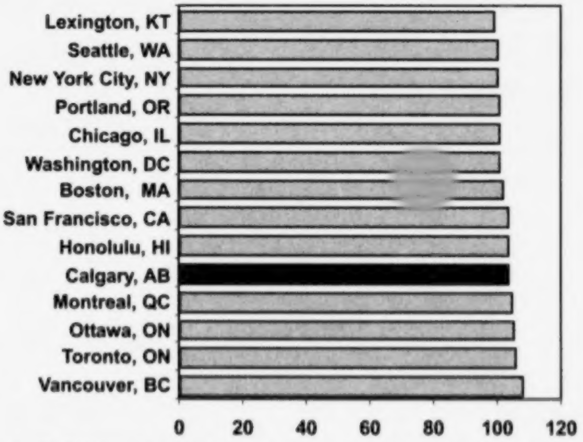


Source: Statistics Canada and Human Resources Development Canada

- With only two person days lost due to labour disputes per 10,000 days worked, Alberta's 5-year average record is better than all other provinces except Prince Edward Island and Manitoba.
- Newfoundland and Labrador had a public labour dispute in 2004 that distorted its five year average.

QUALITY OF LIFE INDEX

2006 (New York = 100.0)*



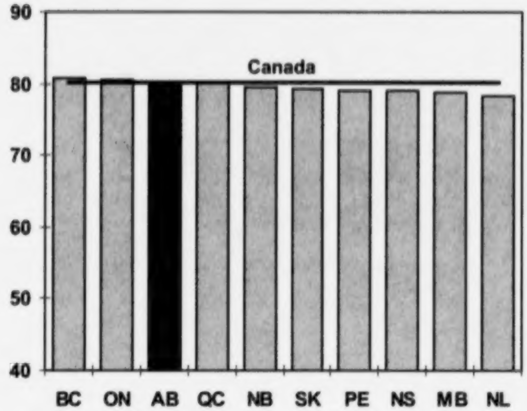
* 39 criteria based on political, social, economic, cultural, and natural environment; health; education; transportation; recreation; consumer goods; housing; and public services. Edmonton not included in survey.

Source: William M. Mercer Companies

- Based on an analysis of "Quality of Life," Calgary placed 25th out of 235 major cities in the world.

LIFE EXPECTANCY

2004 (years)*



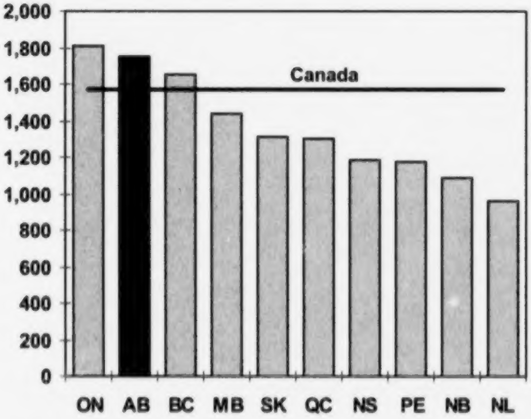
* Average life-span at birth.

Source: Statistics Canada

- In 2004, Alberta had the third highest life expectancy at birth among provinces.

EXPENDITURE ON RECREATIONAL ACTIVITIES

2005 Average Expenditure Per Household (dollars per year)*



* Expenditure on recreation and entertainment.

Source: Statistics Canada

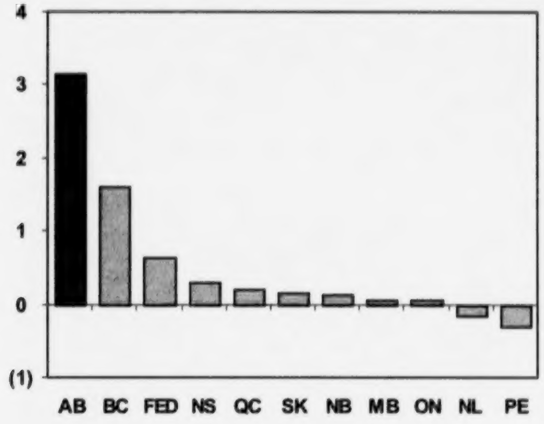
- Albertans spend more on sports, performing arts, and other recreational and entertainment activities than the national average.

The Alberta Government

FISCALLY RESPONSIBLE / LOWEST OVERALL TAX LOAD

GOVERNMENT SURPLUSES

2006-07 (per cent of GDP)*



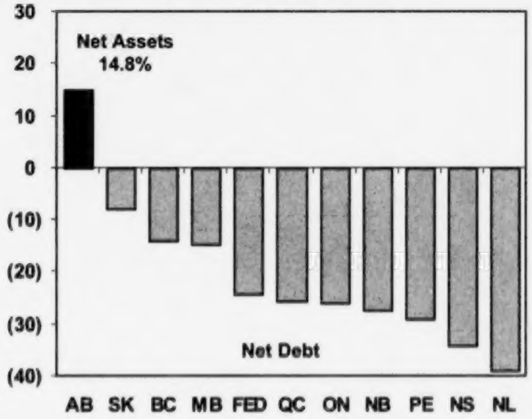
* Other governments as of March 30, 2007. Adjusted for fiscal stabilization fund transfers.

Source: Alberta Finance

- The Alberta government had a surplus of $7.4 billion in 2006-07. Alberta is committed to living within its means.
- Alberta had the highest surplus as a percentage of GDP in 2006-07.

GOVERNMENT NET FINANCIAL ASSETS (DEBT)

March 31, 2007 (per cent of GDP)*



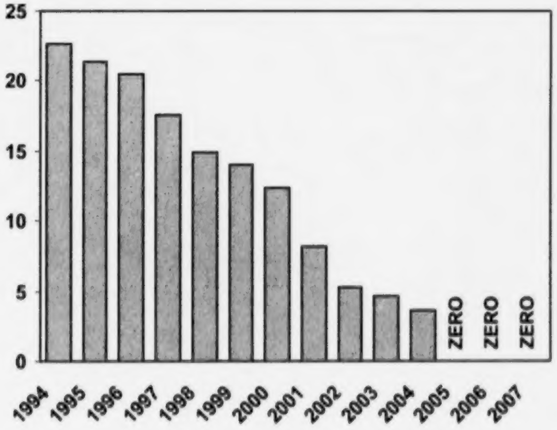
* Other governments as of March 30, 2007. On a consolidated basis where possible. Excludes pension liabilities.

Source: Alberta Finance

- Alberta is the only provincial government in Canada with total financial assets that exceed total liabilities.
- At March 31, 2007, Alberta's financial assets are forecast to be $48.5 billion. Total liabilities (excluding pension obligations) are forecast to be $13.6 billion resulting in net financial assets of about $34.9 billion.

ALBERTA'S ACCUMULATED DEBT

March 31, 2007 (billions of dollars)*



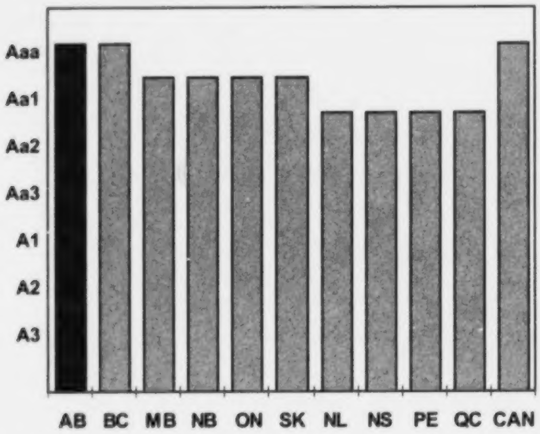
* Net of cash set aside in the Debt Retirement Account.

Source: Alberta Finance

- Alberta's accumulated debt was eliminated as of March 31, 2005.

CREDIT RATING

As of March 23, 2007

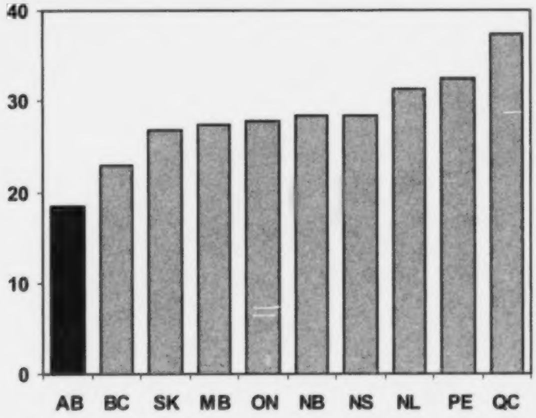


* Moody's Canadian domestic dollar debt ratings.
Source: Moody's Investors Services

- Alberta and British Columbia are the top provinces in Canada for credit worthiness according to Moody's rating agency. Standard and Poor's, and Dominion Bond Rating Service also rank Alberta as a "Triple A," the highest possible rating.

BORROWING COSTS

As of March 23, 2007 (basis points)*

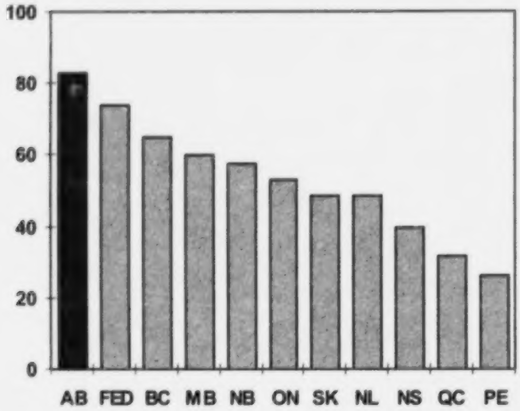


* Interest rate spreads relative to 10-year Government of Canada bond rate. A basis point is one-hundredth of a percentage point.
Source: CIBC World Markets

- Alberta has the lowest interest rate spread relative to 10-year Government of Canada bonds of any province in Canada.

FISCAL PERFORMANCE INDEX

2007 (100-point index scale)*

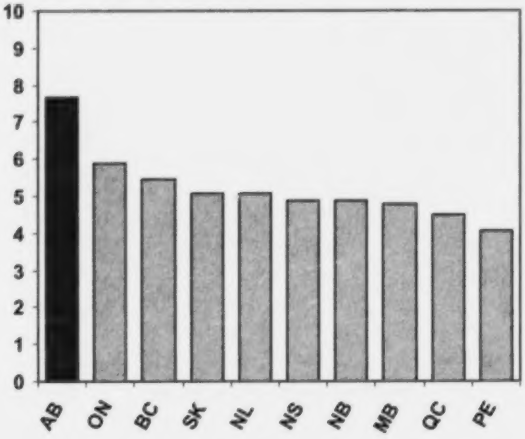


* Index includes a variety of measures of government taxation, spending, deficits and debt over the past five years (2001-02 to 2005-06).
Source: Fraser Institute, Fiscal Performance Index 2007

- For the tenth consecutive year, Alberta's A-rated fiscal performance rating topped all other provinces and the federal government on the Fraser Institute's Fiscal Performance Index.

ECONOMIC FREEDOM INDEX - CANADA

2003 (10-point index scale)*

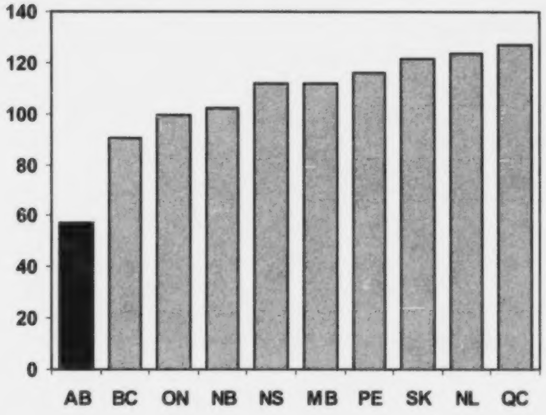


* Component ratings include government operations and regulations, taxation, and labour market regulations.
Source: Fraser Institute, 'Economic Freedom of North America', 2006 Annual Report

- The Fraser Institute's measure of economic freedom (which indicates the fostering of economic growth and prosperity through minimal government regulation and taxation) rates Alberta number one in Canada as a place to do business.

TOTAL PROVINCIAL TAX LOAD

2006-07 (per cent of the Canadian average)*

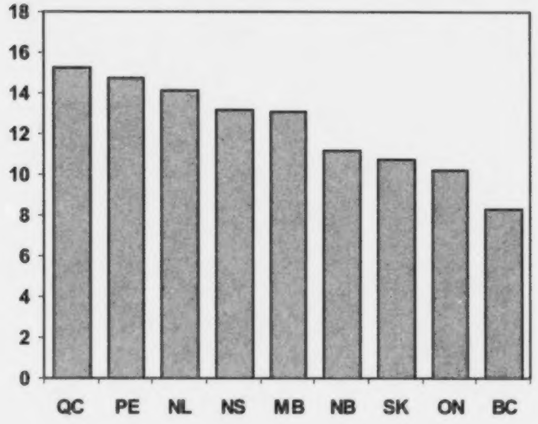


* Actual taxes divided by theroretical taxes at national average tax rates.
Source: Equalization payments, 2006-07, 2nd estimate; Finance Canada and Alberta Finance

- Alberta has by far the lowest combined provincial and municipal tax burden among the provinces: 57.5% of the national average.

ALBERTA'S TAX ADVANTAGE

2007 (billions of dollars)*

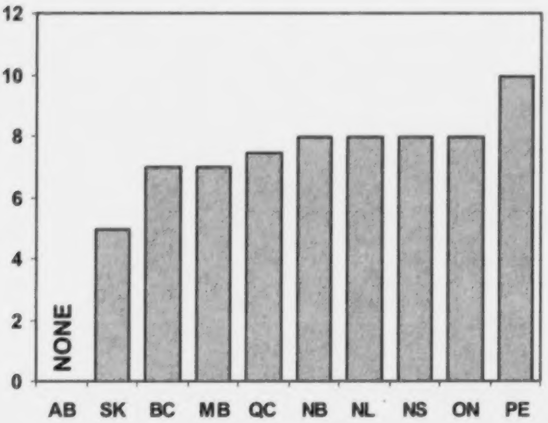


* Other provinces' rates known as of March 30, 2007.
Source: Alberta Finance

- This graph shows the total additional provincial taxes (including health care insurance premiums and alcohol revenues) that individuals and businesses would pay if Alberta had the same tax systems as other provinces.
- Albertans would pay at least $8.3 billion more if we had British Columbia's tax system and $15.4 billion more if we had Quebec's tax system.

RETAIL SALES TAX RATES

2007 (per cent)*

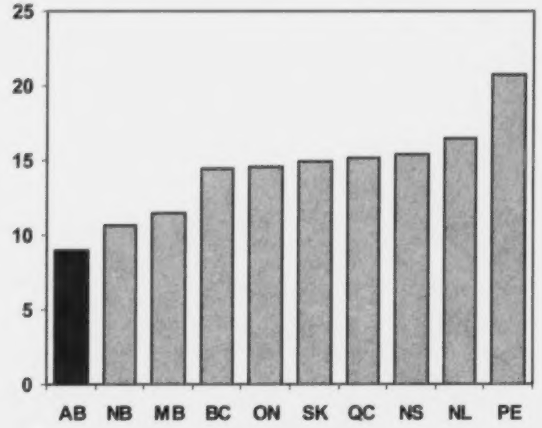


* Other provinces' rates known as of March 30, 2007.
Source: Alberta Finance

- Alberta has no provincial retail sales tax.

GASOLINE TAX RATES

2007 (cents per litre)*

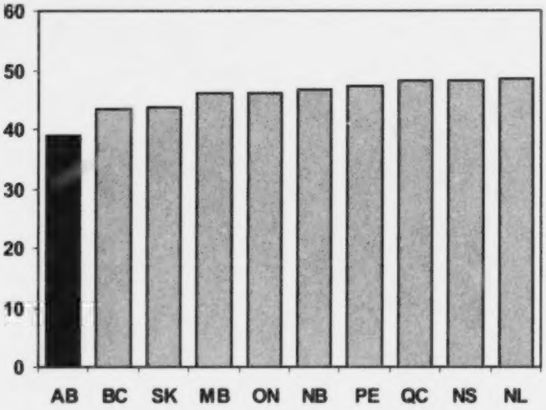


* Other provinces' rates known as of March 30, 2007. For NB, NS, QC and NL, provincial sales tax is levied on top of fuel tax. PE has a 11.5 cent base rate and a 10.7 per cent ad valorem tax.
Source: Alberta Finance

- At 9.0 cents per litre, Alberta has the lowest gasoline tax rate among provinces.
- Alberta is 1.7 cents per litre below New Brunswick, the second lowest province and 5.5 cents below British Columbia and Ontario.

COMBINED TOP MARGINAL PERSONAL INCOME TAX RATES

2007 (per cent)*



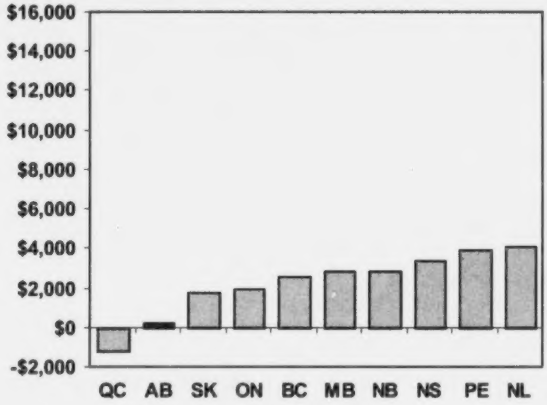
* Other provinces' rates known as of March 30, 2007.
Source: Alberta Finance

- Alberta has the lowest top marginal personal income tax rate among the provinces at 39% (29% federal and 10% provincial).
- In Alberta, top income earners keep 61% of their last dollar earned.

TAXES PAID BY A FAMILY EARNING $30,000

Includes Health Care Insurance Premiums

2007 (One-income family with two children)*



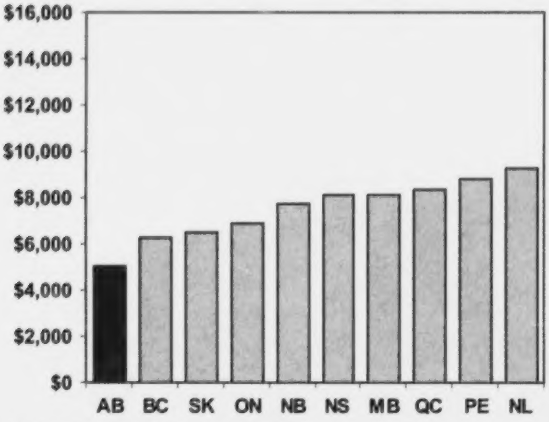
* Other provinces' rates known as of March 30, 2007.
Source: Alberta Finance

- This graph, and the following two, compare provincial income, sales, payroll, fuel and tobacco taxes, and health care insurance premiums payable by a family.
- In Alberta, a typical one-income family with two children earning $30,000 pays only $228, approximately 91% less than the average of the other provinces.

TAXES PAID BY A FAMILY EARNING $75,000

Includes Health Care Insurance Premiums

2007 (Two-income family with two children)*



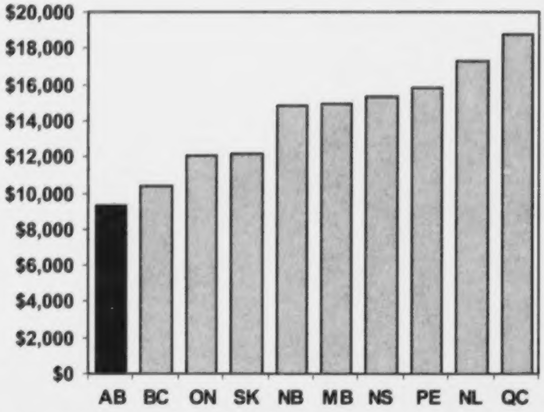
* Other provinces' rates known as of March 30, 2007.
Source: Alberta Finance

- In Alberta, a typical two-income family with two children earning $75,000 pays $5,109 in combined taxes and health care insurance premiums, approximately 35% less than the average of the other provinces.

TAXES PAID BY A FAMILY EARNING $125,000

Includes Health Care Insurance Premiums

2007 (Two-income family with two children)*

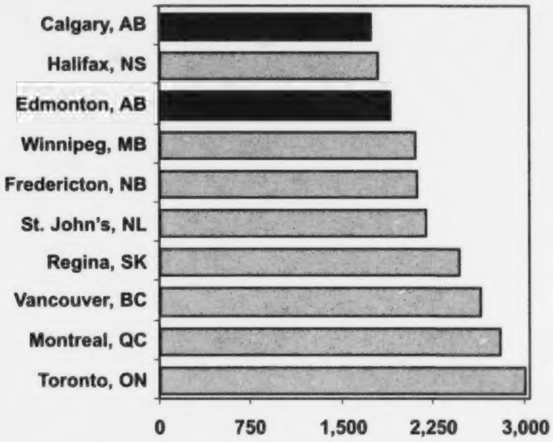


* Other provinces' rates known as of March 30, 2007.
Source: Alberta Finance

- In Alberta, a typical two-income family with two children earning $125,000 pays $9,313 in combined taxes and health care insurance premiums, approximately 37% less than the average of the other provinces.

NET HOME PROPERTY TAXES

2006 (dollars)*



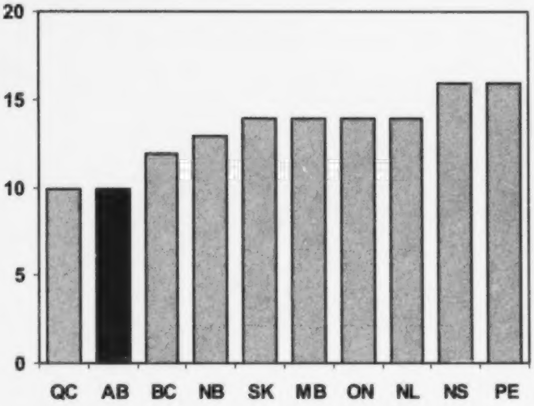
* Includes municipal, regional and school taxes, net of homeowner grants or credits for a single family house.

Source: The City of Edmonton

- Among major cities, Calgary and Edmonton rank first and third, respectively, when it comes to lowest property taxes for a typical single family home.

PROVINCIAL GENERAL CORPORATE INCOME TAX RATES

2007 (per cent)*



* Other provinces' rates known as of March 30, 2007. SK, ON and NL have lower corporate income tax rates for manufacturing and processing industries.

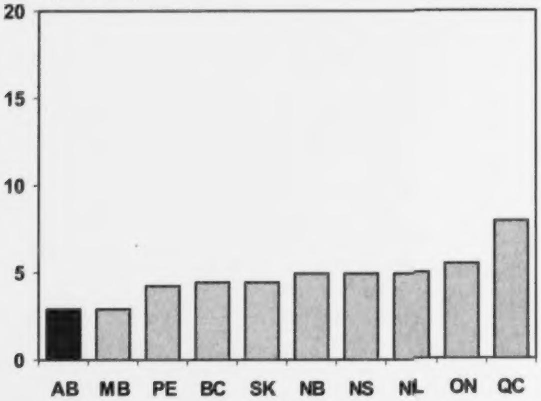
Note: Saskatchewan's general corporate rate will be reduced to 13% effective July 1, 2007.

Source: Alberta Finance

- Alberta has the second lowest general corporate income tax rate in Canada at 10%.
- Alberta businesses also benefit from no general sales tax, capital tax or payroll tax.

PROVINCIAL SMALL BUSINESS CORPORATE INCOME TAX RATES

2007 (per cent)*



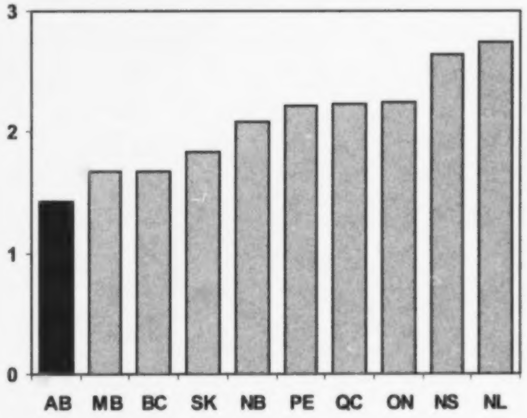
* Other province rates known as of March 30, 2007.

Source: Alberta Finance

- Alberta's small business corporate income tax rate of 3% is the lowest (tied with Manitoba) in Canada.

WORKERS' COMPENSATION PREMIUMS

2007 (dollars per $100 of gross payroll)*



* Provisional average assessment rates. Industry composition and administrative costs vary across provinces in rate calculations.

Source: Association of Workers' Compensation Boards of Canada

- Alberta's average WCB premium rate is the lowest among provinces.

ALBERTA TAX ADVANTAGE

BUDGET2007
MANAGING OUR GROWTH

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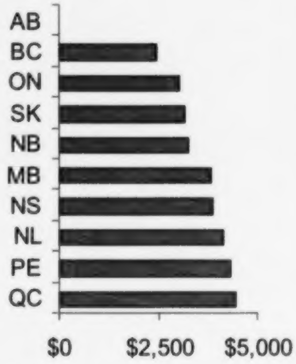
Alberta Tax Advantage

Alberta's Per Capita Tax Advantage



Individuals and businesses would pay $2,400 more per capita if Alberta had the same tax system as British Columbia.

HIGHLIGHTS

- The credit rate for charitable donations over $200 will rise. When combined with the federal credit, Albertans will receive 50 cents in tax credits for every dollar they donate over $200.
- Students will be able to claim higher education amounts.
- Taxes on cigarettes will increase $5.00 per carton to discourage consumption.
- Albertans and Alberta businesses continue to pay the lowest overall taxes in Canada.

BUDGET 2007 INITIATIVES

Charitable Giving

Charitable donations have a tremendous impact on the lives of Albertans. Donations support organizations that make our communities stronger. They fund important medical research, provide shelter and meals for those in need, and help newcomers to Canada. The provincial tax system encourages charitable donations through a tax credit, which is worth 10 per cent on the first $200 of a taxpayer's total donations and 12.75 per cent on donations over $200.

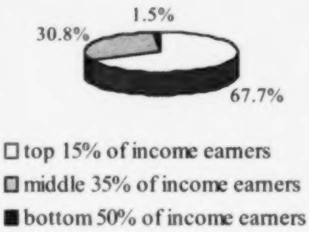
The Premier made a commitment to increase support for charitable giving to registered charities. With this budget, the charitable donations tax credit for total donations over $200 will be enriched by over 60 per cent, reducing revenue by $80 million annually. Effective for 2007, donations above $200 will be eligible for a credit of 21 per cent, encouraging Albertans to give even more. Including the federal charitable donations credit, Albertans will receive 50 cents in tax credits for every dollar donated over the $200 threshold.

Charitable donations credit is enhanced by over 60 per cent for total donations over $200.

Education Amounts

The tax system provides relief to post-secondary students in recognition of the importance of continuing education. In addition to tax credits for tuition fees, students can claim education amounts, which compensate them for other costs of living while still a student. As many students do not earn enough to pay taxes, they can also transfer these credits to spouses, parents or grandparents, or carry them forward to future years.

2007 Distribution of Personal Income Tax Burden



For 2007, the government will increase the allowable education amount over and above the increase due to indexation. The amount will rise 26 per cent, from $475 to $600 per month for full-time students and from $143 to $180 per month for part-time students. This will reduce revenue by $3 million in 2007-08, increasing to $10 million annually in future years.

Indexation

Alberta indexes its personal income tax system to ensure that inflation does not artificially increase the amount of tax individuals pay. For the 2007 tax year, personal tax credits will increase 3.6 per cent, saving Albertans $92 million. This increase means that basic, spousal and eligible dependant amounts will rise to $15,435. The table below sets out the 2007 non-refundable credit amounts available to reduce Alberta personal income tax.

Payments under the Alberta Family Employment Tax Credit, as well as the phase-out threshold for the credit, are also indexed. Payments in July 2007 and January 2008 will rise to $581 for the first child, $528 for the second, $317 for the third and $106 for the fourth, for a maximum benefit of $1,532. The income level at which the credit begins to be phased out will rise from $25,475 to $26,392.

Alberta Non-Refundable Tax Credit Block

(dollars)

	2006		2007	
	Maximum Amount	Deduction from Alberta Tax	Maximum Amount	Deduction from Alberta Tax
Basic personal amount	14,899	1,490	15,435	1,544
Spousal amount	14,899	1,490	15,435	1,544
Eligible dependant amount	14,899	1,490	15,435	1,544
Age amount	4,152	415	4,301	430
Infirm dependant amount	4,015	402	4,160	416
CPP contributions	1,911	191	1,990	199
Employment Insurance contributions	729	73	720	72
Pension income amount	1,147	115	1,189	119
Disability amount	6,883	688	7,131	713
Disability supplement	4,015	402	4,160	416
Tuition and education amounts	Variable	Variable	Variable	Variable
Adoption expenses	10,190	1,019	10,557	1,056
Medical expenses	Variable	Variable	Variable	Variable
Medical expenses (other dependants)	10,190	1,019	10,557	1,056
Caregiver amount	4,015	402	4,160	416
Interest on student loans	Variable	Variable	Variable	Variable
Donations and gifts				
- first $200	200	20	200	20
- over $200	75% of income	Variable	75% of income	Variable

In general, credit amounts are multiplied by 10% to arrive at the deduction from Alberta tax. In the case of donations and gifts over $200, the credit rate is 12.75% for 2006 and 21% for 2007.

Tobacco Taxes

While Alberta's economic boom has raised incomes, tobacco tax rates have remained the same. As a percentage of income, tobacco has become relatively cheaper. The disincentive to smoke is not as strong as it was in previous years, particularly for young people, who are especially sensitive to price changes. Encouraging Albertans, especially youth, to stop smoking, and discouraging potential smokers from ever starting, are important steps in improving their long-term health.

Effective midnight tonight, taxes on cigarettes will be raised $5.00 to $37.00 per carton of 200 cigarettes, an increase of 16 per cent. For each pack of 25 cigarettes, the tax will rise from $4.00 to $4.63.

The tax rate on loose tobacco and cigars will also be raised at the same time to ensure that the tax on all tobacco products is comparable. The tax rate on loose tobacco will be increased to 18.5 cents per gram from 16 cents per gram. Taxes on cigars are currently 95 per cent of the taxable price, with a maximum tax of $5.00. With these changes, the maximum tax will rise to $5.80.

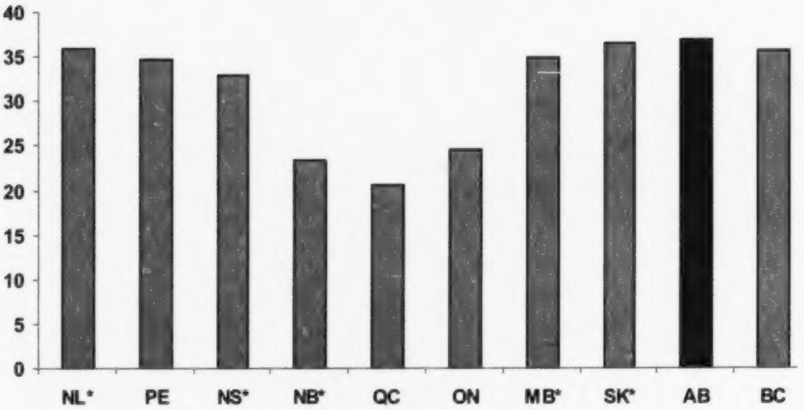
Alberta's tobacco tax rate will now be the highest among the provinces, though some provinces also levy their retail sales tax on tobacco products. While even higher tobacco tax rates would discourage consumption further, they would also increase the risk that smuggling and other illicit activities would take hold in Alberta. While the government believes that the tobacco tax increase is sustainable and will not lead to more illegal behaviour, we will continue to monitor this situation.

These changes will result in an additional $90 million in tobacco tax revenue in 2007-08.

Even though Alberta's tobacco tax is the highest among the provinces, Albertans continue to pay the lowest overall taxes in the country.

Tobacco Tax Rates by Province, 2007

($ per carton)



Rates for other provinces known as of March 30, 2007.

*These provinces apply their retail sales taxes on the price of tobacco inclusive of their tobacco tax.

DIVIDEND TAX CREDIT & SMALL BUSINESS THRESHOLD

On September 20, 2006, Alberta announced that it will eliminate the double taxation of dividend income. The dividend tax credit rate on dividends paid out of income taxed at the general corporate rate will be increased to 10 per cent by 2009. At the same time, the unintended subsidy provided for dividends taxed at the small business rate will be eliminated. The dividend tax credit on these dividends will fall to 3.5 per cent by 2009. These changes will ensure similar tax treatment among income earned in large corporations, small businesses and from wages and salaries.

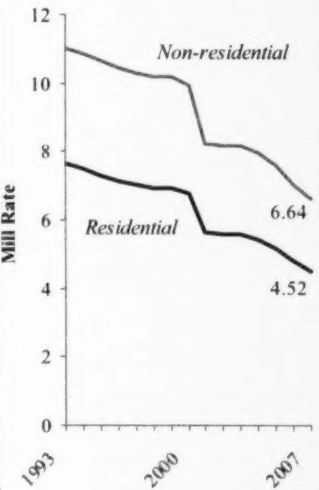
Also announced last September was a phased-in increase of the small business threshold to $500,000 by 2009. The threshold increased to $430,000 on April 1, 2007. Further increases will be effective April 1 of each year as indicated in the table below. These increases will further encourage growth of small businesses in Alberta.

	Eligible Corporate Dividends (%)*	Small Business Dividends (%)*	Small Business Threshold ($)
2005	6.4	6.4	400,000
2006	7.5	6.0	400,000
2007	8.0	5.5	430,000
2008	9.0	4.5	460,000
2009	10.0	3.5	500,000

* credit rate is applied to amount included in income

There are still some minor technical issues related to the taxation of dividends, including the treatment of investment income and different federal and provincial small business thresholds. The government is currently reviewing these issues to determine if adjustments are needed.

Provincial Uniform Education Property Tax Rates



EDUCATION PROPERTY TAXES

Property taxes in Alberta are levied by both the Province and the municipalities. The education property tax is a stable source of funding for Alberta's basic education system. Revenue from the tax will provide 30 per cent of funding for basic education, not including infrastructure, in 2007-08.

The provincial government has reduced or frozen education property tax rates for the last 14 years, for total reductions of about 40 per cent. In 2007, rates will be reduced again, by 5.8 per cent. The residential/farm rate will fall from $4.80 to $4.52 per $1,000 of equalized assessment. Rates for commercial property will fall from $7.05 to $6.64 per $1,000 of equalized assessment.

Alberta's policy is to lower rates to offset inflationary growth in property values. Revenue growth will result from real property improvements and newly-built homes and businesses. The Province's commitment to low education property tax rates is a key reason why property owners in Alberta continue to pay among the lowest property taxes in the country.

FEDERAL 2007 BUDGET CHANGES

In its 2007 budget, the federal government announced a number of personal income tax measures. Some of these measures, including pension income splitting for seniors, the higher age limit for Registered Retirement Savings Plans and Registered Pension Plans, the introduction of Registered Disability Savings Plans, and the increase to the lifetime capital gains exemption for farmers and small business owners, alter the definition of taxable income. Alberta will automatically parallel these changes under its tax collection agreement with the federal government.

Capital cost allowances (CCA) allow companies to depreciate the cost of their assets over time. In its 2007 budget, the federal government increased CCA rates for a variety of assets, including manufacturing and processing equipment, computers, non-residential buildings, natural gas distribution pipelines and liquefied natural gas facilities. The accelerated CCA rate for investments in clean energy generation will be expanded to include additional energy sources.

As these changes will encourage Alberta companies to invest in new technologies and improve their global competitiveness, the provincial government will parallel these measures for provincial tax purposes.

The federal government also announced the phased elimination of the accelerated CCA for oilsands investments. Alberta's royalty review panel will examine the provincial accelerated allowance as part of its mandate.

ROYALTY REVIEW

The Government of Alberta has assembled an independent panel of experts to ensure Albertans are receiving a fair share from energy development through royalties, taxes and fees. The review will focus on all aspects of the oil and gas royalty system, including oilsands, conventional oil and gas, and coalbed methane.

The panel will collect input from Albertans and key stakeholders. A final report with recommendations will be presented to the Minister of Finance by August 31, 2007.

TAX ADMINISTRATION

Corporate Tax Avoidance

Some corporations have begun to use provincial tax avoidance schemes that exploit technical elements of tax laws in ways that are contrary to their object and spirit. In cooperation with other provinces and the federal government, Alberta has been able to identify four specific schemes, involving a number of corporations that operate in the province. It is estimated that over $200 million in provincial tax revenue is at risk to date.

The increased use of these schemes puts our low tax rates at risk and is unfair to the vast majority of Albertans and Alberta businesses who comply with the letter and the spirit of the tax laws. Over the next year, Alberta Finance will take steps to protect the provincial tax base by dedicating more resources to address these types of schemes.

Fuel Tax

On April 1, 2007, Alberta's new *Fuel Tax Act* and associated regulations came into effect. The new Act streamlines the administration of the tax by replacing the government's numerous collection agreements with different entities with a clear legislative framework that sets out how the tax is levied and then remitted to the government.

The new Act also puts into effect policy changes that were announced last fall in the government's new bioenergy strategy. As of April 1, ethanol and pure biodiesel are taxed at nine cents per litre, the same rate as gasoline and diesel. Rather than provide tax exemptions, the government will focus its efforts on encouraging the production of alternative fuels through the Renewable Energy Producer Credit Program, which gives companies fourteen cents for every litre of ethanol and pure biodiesel they produce. The strategy also contains measures to promote bioenergy commercialization and infrastructure development.

PROVINCIAL TAX COMPETITIVENESS

Alberta has low taxes on personal income, corporate income and fuel, and no general sales tax, payroll tax or capital tax. If Alberta had the same tax system as any other province, Albertans and Alberta businesses would pay at least $8.3 billion more in taxes each year.

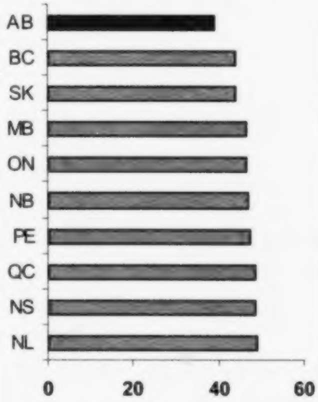
Personal Tax Advantage

Our personal tax system is competitive across Canada, with low personal income tax rates, the lowest tax rate on gasoline among any of the provinces and no general sales tax. Our tax advantage does not rely simply on specific taxes, but rather on all taxes that individuals pay. At most income levels, Albertans pay less in taxes than they would in any other province.

At 10 per cent, Alberta has the lowest top marginal tax rate on personal income among the provinces. Low top rates give people an incentive to be more productive, work harder and save more. Having the lowest top marginal rate in the country also gives Alberta an advantage in attracting the skilled workers needed for our dynamic economy.

In addition to being competitive, Alberta's personal tax system is also fair. With the highest basic and spousal amounts in the country, at $15,435 for 2007, Albertans can earn more money without paying any provincial income tax. Single Albertans who work can earn nearly $16,400 before paying any provincial income tax. A typical working family with two children can earn up to $38,200 before paying provincial income tax, as the Alberta Family Employment Tax Credit offsets any taxes paid at that income level.

Combined Federal/Provincial Personal Income Tax Top Marginal Rates (%)



Rates as of March 30, 2007

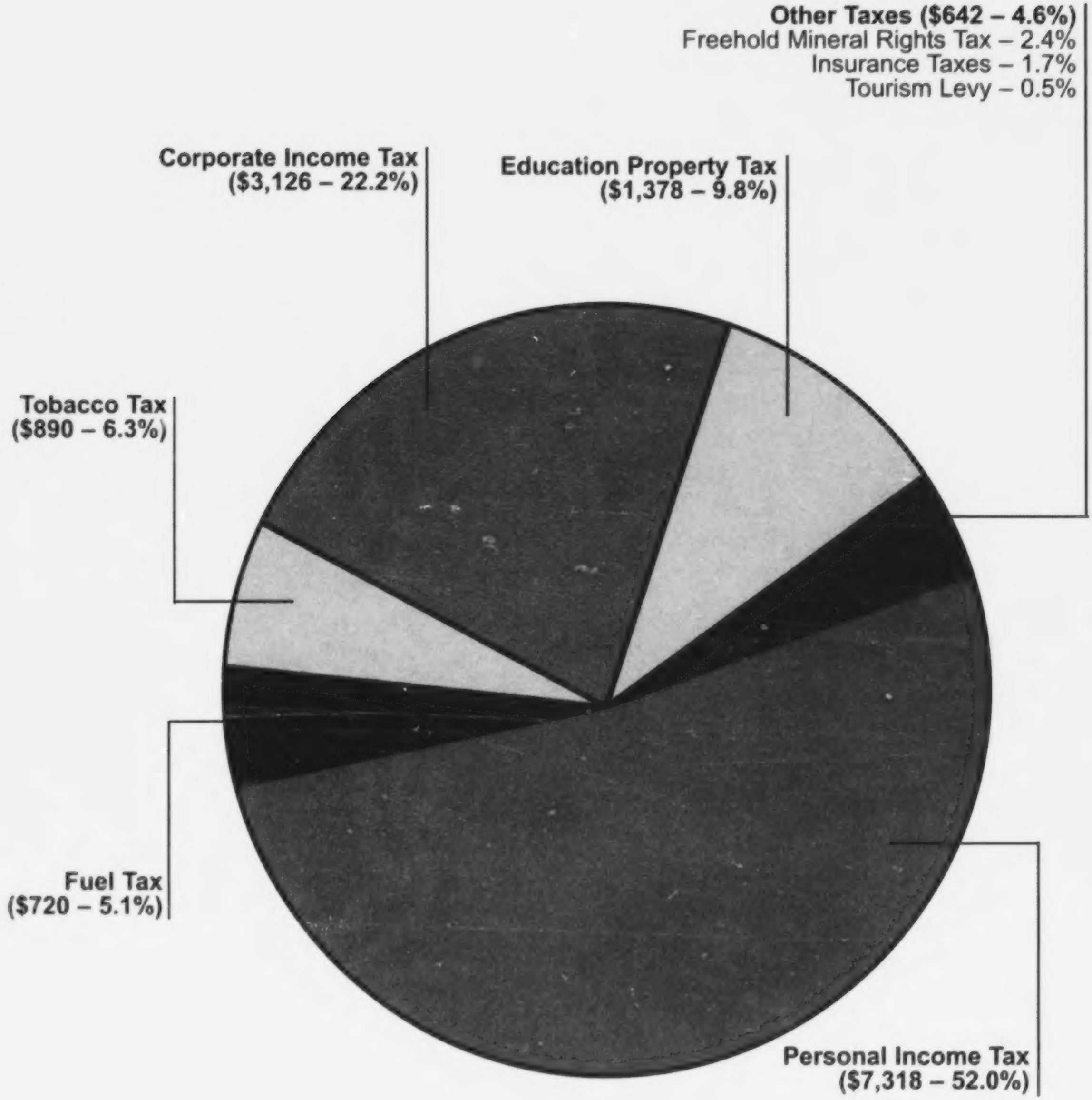
Corporate Tax Advantage

Alberta's corporate tax system contributes to an environment in which businesses can grow and succeed. Alberta businesses benefit from small business and general corporate rates that are among the lowest in the country. In addition, they pay no capital taxes, payroll taxes or general sales taxes on their inputs.

Not only does the province's low tax regime benefit existing businesses, it also helps attract new investment to Alberta. New investment will lead to a more productive and innovative economy, which means more opportunities for Albertans, and a stronger future for Alberta.

2007-08 Tax Revenue ($14,074 million)

(millions of dollars)



2007-08 Revenue from Tax Sources

(millions of dollars)

Tax	Total Revenue	Tax Rate	Revenue per Unit of Tax
1. **Personal Income Tax**	**7,318**		
Single rate tax	7,407	10.0%	740.7 per point
Family Employment Tax Credit	(89)		n/a
2. **Corporate Income Tax**	**3,126**		
General	2,719	10.0%	271.9 per point
Small business	407	3.0%	135.7 per point
3. **Education Property Tax** [a]	**1,378**		
Residential/farm property	798	$4.52/$1,000 of assessment	176.5 per mill
Non-residential	580	$6.64/$1,000 of assessment	87.3 per mill
4. **Tobacco Tax**	**890**	$37/carton	24.1 per $/carton
5. **Fuel Tax**	**720**		
Gasoline and diesel	698	9.0 ¢/litre	77.6 per ¢/litre
Propane	7	6.5 ¢/litre	1.1 per ¢/litre
Aviation	11	1.5 ¢/litre	7.3 per ¢/litre
Railway	4	1.5 ¢/litre	2.7 per ¢/litre
6. **Freehold Mineral Rights Tax**	**333**		n/a
7. **Insurance Taxes**	**244**		
Life, accident, sickness	65	2% of premium	32.5 per point
Automobile and other	179	3% of premium	59.7 per point
8. **Tourism Levy**	**65**	4.0%	16.3 per point

[a] Does not include revenue of $178 million raised for opted-out school boards.

Interprovincial Tax and Health Care Insurance Premium Comparison, 2007

(dollars)

	AB	BC	SK	MB	ON	QC	NB	NS	PE	NL
Employment Income of $30,000 – One Income Family with Two Children										
Provincial income tax	**(967)**	543	77	499	(477)	(3,994)	850	940	1,117	1,446
Provincial sales tax	-	736	355	909	889	1,168	1,139	1,182	1,318	1,146
Health care premium	-	-	-	-	225	-	-	-	-	-
Payroll tax	-	-	-	231	275	638	-	-	-	128
Fuel tax	**270**	435	450	345	441	456	321	465	591	495
Subtotal	**(697)**	1,714	882	1,984	1,353	(1,732)	2,310	2,587	3,026	3,215
Tobacco tax	**925**	895	915	875	618	515	588	815	873	900
Total	**228**	2,609	1,797	2,859	1,971	(1,217)	2,898	3,402	3,899	4,115
Alberta Advantage		2,381	1,569	2,631	1,743	(1,445)	2,670	3,174	3,671	3,887
Employment Income of $75,000 – Two Income Family with Two Children										
Provincial income tax	**2,987**	2,521	4,162	4,661	2,702	3,319	4,747	4,614	4,837	5,390
Provincial sales tax	-	1,268	807	1,530	1,702	2,281	1,936	2,020	2,257	1,963
Health care premium	**792**	972	-	-	563	-	-	-	-	-
Payroll tax	-	-	-	578	689	1,594	-	-	-	319
Fuel tax	**405**	653	675	518	662	684	482	698	887	743
Subtotal	**4,184**	5,414	5,644	7,287	6,318	7,878	7,165	7,332	7,981	8,415
Tobacco tax	**925**	895	915	875	618	515	588	815	873	900
Total	**5,109**	6,309	6,559	8,162	6,936	8,393	7,753	8,147	8,854	9,315
Alberta Advantage		1,200	1,450	3,053	1,827	3,284	2,644	3,038	3,745	4,206
Employment Income of $125,000 – Two Income Family with Two Children										
Provincial income tax	**7,191**	5,992	9,399	10,309	6,349	11,714	10,869	10,838	10,750	12,220
Provincial sales tax	-	1,947	1,218	2,304	2,596	3,283	2,898	3,017	3,390	2,924
Health care premium	**792**	972	-	-	788	-	-	-	-	-
Payroll tax	-	-	-	963	1,148	2,657	-	-	-	532
Fuel tax	**405**	653	675	518	662	684	482	698	887	743
Subtotal	**8,388**	9,564	11,292	14,094	11,543	18,338	14,249	14,553	15,027	16,419
Tobacco tax	**925**	895	915	875	618	515	588	815	873	900
Total	**9,313**	10,459	12,207	14,969	12,161	18,853	14,837	15,368	15,900	17,319
Alberta Advantage		1,146	2,894	5,656	2,848	9,540	5,524	6,055	6,587	8,006

Calculations are based on other provinces' tax parameters known as of March 30, 2007.

Assumptions:

- Business is assumed to bear between 25% and 60% of the provincial sales tax, depending upon the provincial tax regime.
- Health care insurance premiums are net of premium subsidies.
- In provinces that impose payroll taxes, 75% is assumed to be borne by employees and 25% by employers. The same 75/25 split is assumed for the net health care insurance premiums.
- Fuel tax is based on estimated consumption of 3,000 litres per year for one-income families and 4,500 litres for two-income families.
- Tobacco tax is based on estimated consumption of 100 packs per adult per year.
- RRSP/RPP contributions of $1,000, $9,700 and $16,800 are included in the calculation of personal income tax for the $30,000, $75,000 and $125,000 families, respectively.
- For two-income families, income and RRSP/RPP contributions are split 60/40 between the two spouses.
- The children in each family are assumed to be 6 and 12 years old.

Major Provincial Tax Rates, 2007

		AB	BC	SK	MB	ON	QC	NB	NS	PE	NL
Personal Income Tax											
Statutory rate range											
– lowest rate	(%)	10.00	5.70	11.00	10.90	6.05	16.00[a]	10.12	8.79	9.80	10.57
– highest rate	(%)	10.00	14.70	15.00	17.40	11.16	24.00[a]	17.95	17.50	16.70	18.02
Surtax	(%)	—	—	—	—	20.0/36.0	—	—	10.0	10.0	9.0
Credit amounts											
– Personal amount	($)	15,435	9,027	8,778	7,834	8,553	6,650	8,239	7,481	7,412	7,410
– Spousal amount	($)	15,435	7,729	8,778	6,482	7,262	6,650	6,996	6,352	6,294	6,055
Corporate Income Tax											
General rate	(%)	10.0	12.0	14.0[b]	14.0	14.0	9.9	13.0	16.0	16.0	14.0
M&P rate	(%)	10.0	12.0	10-14[c]	14.0	12.0	9.9	13.0	16.0	16.0	5.0
Small business											
– rate	(%)	3.0	4.5	4.5	3.0	5.5	8.0	5.0	5.0	4.3	5.0
– threshold	($000)	430	400	400[b]	400	400	400	400	400	400	300
Capital Tax											
General	(max.%)	—	—	0.3[b]	0.50	0.285	0.49	0.20	0.25[d]	—	—
Financial institutions	(max.%)	—	3.00	3.25	3.00	0.855	1.23[e]	3.00	4.00	5.00	4.00
Retail Sales Tax	(%)	—	7.0	5.0	7.0	8.0	7.5[f]	8.0	8.0	10.0[f]	8.0
Gasoline Tax	(¢/litre)	9.0	14.5[g]	15.0	11.5	14.7	15.2[g,h]	10.7[h]	15.5[h]	20.8[i]	16.5[h]
Tobacco Tax	($/carton)	37.00	35.80	36.60[h]	35.00[h]	24.70	20.60	23.50[h]	33.04[h]	34.90	36.00[h]
Payroll Tax	(max.%)	—	—	—	2.15	1.95	4.26[j]	—	—	—	2.00

Rates for other provinces known as of March 30, 2007.

[a] Quebec residents receive an abatement of 16.5% of basic federal tax in lieu of federal cash transfers to Quebec for several social programs.

[b] The general corporate rate will be reduced to 13% effective July 1, 2007. At the same time, Saskatchewan's small business income threshold will increase from $400,000 to $450,000 and the general capital tax will fall from 0.3% to 0.15%.

[c] The general corporate tax rate is reduced by up to 4 points based on the share of a corporation's national manufacturing and processing income allocated to Saskatchewan. The maximum M&P reduction will fall to 3 points effective July 1, 2007 when the general tax rate becomes 13%.

[d] Effective July 1, 2007, Nova Scotia's general capital tax will decrease from 0.25% to 0.2%.

[e] The Quebec financial institutions capital tax includes the base rate of 0.98% and a compensatory tax of 0.25%.

[f] These provinces apply their retail sales tax on the retail price of the good inclusive of the GST.

[g] An additional 6¢/litre is imposed in the greater Vancouver area, 2.5¢/litre in Victoria and 1.5¢/litre in Montreal.

[h] These provinces apply their retail sales taxes on the retail price of the good inclusive of the particular excise tax.

[i] This rate is based on an 11.5 ¢/litre base rate and 10.7% of the average wholesale price and is recalculated on a monthly basis.

[j] Quebec levies an additional 1% compensatory tax on the wages paid by financial institutions that is not included in this rate.

Top Marginal Personal Income Tax Rates, 2007

(per cent)

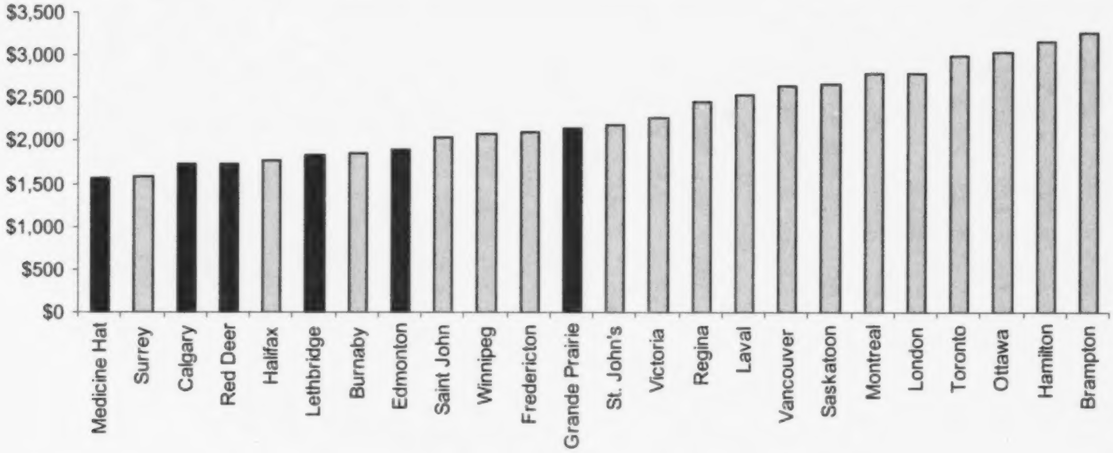
	AB	BC	SK	MB	ON	QC	NB	NS	PE	NL
Federal	29.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00
Provincial	10.00	14.70	15.00	17.40	17.41	24.00	17.95	19.25	18.37	19.64
Federal abatement[a]	—	—	—	—	—	(4.79)	—	—	—	—
Total	39.00	43.70	44.00	46.40	46.41	48.21	46.95	48.25	47.37	48.64

Rates for other provinces known as of March 30, 2007.

[a] Quebec residents receive an abatement of 16.5% of basic federal tax in lieu of federal cash transfers to Quebec for several social programs. This reduces the top federal rate of 29% by 16.5%, or 4.79% of taxable income.

Net Property Tax for a Single Family Home, 2006

(selected Canadian cities)



Notes:

1. Includes municipal, regional and school taxes, net of any applicable homeowner grants.
2. Taxes are based on the value of a single family home, defined as a 25-30 year old detached bungalow with 3 bedrooms, a main floor area of 1,200 square feet, finished full basement, double car garage, and a 6,000 square foot lot. Information for Vancouver and Burnaby is based on an average value home that may differ from the above definition. Information for Edmonton, Winnipeg, Halifax and Toronto is based on the median value home that may differ from the above definition.

Source: City of Edmonton, Planning and Development, 2006 Residential Property Taxes & Utility Charges Survey.

RESPONSE TO THE AUDITOR GENERAL

BUDGET2007
MANAGING OUR GROWTH

Response to the Auditor General

Every year the Auditor General prepares an annual report on the scope and findings of the work carried out by the Office of the Auditor General. The following are the numbered recommendations in the Auditor General's 2005-06 Annual Report and the government's response to each of them.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Drinking Water	
1. Approvals and registrations	
We recommend that the Department of Environment make its system to issue approvals and registrations more effective by: • Strengthening supporting processes such as training, manuals, checklists, and quality control for approvals and registrations; • Ensuring that applications are complete and legislatively compliant; • Documenting important decisions in the application and registration processes; • Processing applications and conversions promptly; • Maintaining consistency in the wording of approvals and registrations across the province; and • Following up short-term conditions in approvals.	Accepted. During the next two years, the Department will update manuals and internal forms, improve documentation practices and implement a process to follow-up on short-term approval conditions.
2. Inspection system	
We recommend that the Department of Environment improve its drinking water inspection processes by: • Applying the same inspection frequency targets to all waterworks regulated by the *Environmental Protection and Enhancement Act*; • Ensuring inspectors receive sufficient training in waterworks systems and operations; • Revising documentation tools and practices, including making them more risk focused; and • Informing operators promptly of inspection results, ensuring operators respond appropriately, and concluding on each inspection.	Accepted. During the next two years, the Department will update manuals and internal forms, formalize inspection training and update inspection frequency targets.
3. Waterworks operators	
We recommend that the Department of Environment, working with its drinking water partners, update its strategies to deal with the Province's needs for certified water treatment operators.	Accepted. The Department will enhance its support of this program.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
4. Information systems We recommend that the Department of Environment improve the information systems used to manage its drinking water businesses by: • Updating EMS forms and improving reporting capacity; • Coordinating regional, district, and personal information systems to avoid overlap and encourage best practice; and • Using data to improve program effectiveness and efficiency.	Accepted in principle. During the next two years, the Department will update forms and coordinate regional systems.
5. Supporting Environment's drinking water goals We recommend that the Department of Environment ensure that its legislation, programs, and practices support its new drinking water goals. This includes: • Clarifying how approvals will move facilities towards current standards; • Delivering central initiatives that enhance the drinking water program; • Determining how the Department should promote policy initiatives such as regionalization, including the financing of those initiatives; • Establishing how the Department can partner with others while mitigating the risks inherent in partnering; and • Reinforcing a "beyond compliance" mindset with Department staff.	Accepted. The Department will continue to review and update its legislation, programs and business practices. In addition, the Department will continue to work with Infrastructure and Transportation to provide funding for regional water distribution systems.
Food Safety	
6. RHA food establishment inspection programs We recommend that the regional health authorities improve their food establishment inspection programs. In particular, regional health authorities should: • Inspect food establishments following generally accepted risk assessment and inspection frequency standards; • Ensure that inspections are consistently administered and documented; • Follow up critical violations promptly to ensure that food establishments have corrected those violations; • Use their enforcement powers to protect Albertans from the highest risk food establishments; and • Periodically reinforce independence and conflict of interest policies amongst public health inspectors.	Accepted. Health and Wellness will be meeting with the regional health authorities to generate a plan regarding the inspection of food establishments. Development of a provincial strategy and policies would assist in clearly outlining expectations for inspection frequency standards and follow up of critical violations. It is important to note, however, that there is generally no accepted practice for how often certain establishments should be inspected.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
7. RHA food safety information systems	
We recommend that the regional health authorities, supported by the Department of Health and Wellness, improve their automated food safety information systems. This includes: • Enhancing system management, security, and access control; • Ensuring data consistency; • Ensuring that service level agreements are in place; and • Developing reporting capacity for management and accountability purposes.	Accepted. Health and Wellness is currently working with the regional health authorities on an initiative that is developing outcome measures/reporting requirements for environmental health. This project includes food safety as a component of environmental health. The final report is due at the end of December 2006.
8. Compliance with permitting legislation	
We recommend that the regional health authorities ensure that their food establishment permitting practices comply with legislation and are efficient.	Accepted. Health and Wellness will be meeting with regional health authorities to generate a plan regarding food establishment permitting practices.
9. Alberta Agriculture's surveillance program	
We recommend that the Department of Agriculture, Food and Rural Development improve the administration of its food safety surveillance program. This includes: • Documenting its prioritization processes; • Involving partners in the prioritization of projects; • Ensuring conditions for the approval of specific projects are met and final approval recorded; • Capturing costs for large projects; • Monitoring the impact of surveillance projects; and • Considering whether regulatory support for the program is required.	Accepted. The Department has implemented a risk-based priority setting and project tracking process. This includes a system for documentation and approval tracking, and continues to be refined to better involve stakeholders in the process (a stakeholder communication plan will be available by April 2007). Costs for larger surveillance projects are being tracked utilizing financial tools available to the Department. As better tools become available, the accuracy will improve. Outcomes of surveillance projects are assessed to determine if interventions are warranted and the impacts of these interventions will be assessed.
10. Alberta Agriculture's inspection and investigation programs	
We recommend that the Department of Agriculture, Food and Rural Development improve its inspection and investigation programs by ensuring: • It considers a broader range of enforcement tools; • Inspections are up-to-date; and • Practices for complaints, incident reports, and held tags are consistent.	Accepted. The Department has initiated the development of a proposed *Agricultural Product (Food) Safety and Quality Act* and will be undertaking extensive consultations with stakeholders in 2007 on its development. Consideration will be given to the inclusion of additional enforcement authorities or tools. A new audit program in provincially licensed meat facilities has been implemented to enhance inspection effectiveness. Regular timely inspections, incident reports and held tags directives are now in place to ensure consistency in actions by all staff in the Regulatory Services Division.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
11. Integrated food safety planning and activities	
We recommend that the Departments of Health and Wellness and Agriculture, Food and Rural Development, in cooperation with the regional health authorities and federal regulators, improve integrated food safety planning and cooperation on food safety activities and initiatives. This includes: • Each provincial ministry defining its own food safety policies, objectives, and measures; • Coordinating provincial food safety policies and planning so initiatives are integrated; • Ensuring provincial approaches align with initiatives being developed through federal/provincial/territorial committees; • Improving day-to-day coordination of provincial food safety activities; • Encouraging the joint application of HACCP and HACCP related programs in Alberta; and • Improving cooperation and working relationships among provincial and federal partners such as the First Nations and Inuit Health Branch and the Canadian Food Inspection Agency.	Accepted. As members of Canada Alberta Partners in Food Safety, Health and Wellness and Agriculture and Food work closely with the federal government and the regional health authorities on issues such as meat and dairy inspection; food safety training programs; Hazard Analysis Critical Control Point (HACCP) implementation; coordination of responses in food safety emergencies and laboratory services; and improve and integrate food safety activities and objectives. Agriculture and Food is further defining and strengthening its objectives and measures for its goal "Continued excellence in food safety" (next revision June 2007). Health and Wellness is currently working with the regional health authorities to develop outcome measures for food and other areas under the Environmental Health Reportable Measures Initiative (final report in December 2006). Health and Wellness and Agriculture and Food are working to ensure that government policies are aligned with Federal/Provincial/Territorial initiatives.
12. Accountability	
We recommend that the Departments of Health and Wellness and Agriculture, Food and Rural Development further develop their capacity for food safety accountability in Alberta. This includes ensuring that information systems can produce the accountability information that the two ministers need, both for individual ministerial accountability and for integrated cross-ministry purposes.	Accepted. Agriculture and Food is upgrading and expanding its data systems to improve data management, analysis and ability to share animal health and food safety data (multiple projects envisioned through 2010). The current Environmental Health Reportable Measures Initiative will provide recommendations regarding the necessary data element requirements, and a proposed Environmental Health Strategic Plan will include a review of the existing data systems and future program needs as a first step in developing the system needed to address accountability. Health and Wellness and Agriculture and Food will focus on developing measures to demonstrate the effectiveness of the food safety system and improve ministerial accountability through the development of an Alberta Safe Food Strategy.
Reforestation	
13. Performance information	
We recommend that the Department of Sustainable Resource Development produce appropriately timed reforestation performance reports to confirm the effectiveness of its regulatory activities.	Accepted. By March 2007, the Department will develop appropriate reforestation progress reports that will be used to assess performance.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
14. Performance information	
We also recommend that the Department of Sustainable Resource Development: • Strengthen its quality control process for performance information; and • Re-examine whether achieving the target for reforestation rate in harvested areas indicates satisfactory reforestation.	Accepted. The Department will add procedures to the small operator manual to clarify responsibilities for reporting reforestation activities. In 2006-07, the Department will include a procedure in its Forest Operations Monitoring Protocol to cross-check the results from regeneration surveys with the data in the Alberta Regeneration Information System. A procedure will also be added to help ensure all cutblocks harvested and their subsequent treatments are entered into the Alberta Regeneration Information System. In 2007-08, the Department will initiate a review of the appropriateness of the reforestation performance measure.
15. Monitoring and enforcement	
We recommend that the Department of Sustainable Resource Development strengthen its monitoring of reforestation activities by: • Bringing more rigour to the review of forestry operator plans; • Making its field inspection program more effective; and • Promptly identifying and correcting non-compliance with legislation.	Accepted. The Department will continue work to increase the efficiency and effectiveness of its monitoring and enforcement of reforestation activities. In 2006-07, the Department will complete a Forest Operations Protocol that will include a comprehensive, risk-based reforestation monitoring component. The Department will also strengthen the enforcement component in its reforestation training courses and will strengthen processes to promptly identify non-compliance with legislation.
16. Forest Resource Improvement Association of Alberta	
We recommend the Department of Sustainable Resource Development enter into a memorandum of understanding with the Forest Resource Improvement Association of Alberta to clarify the Department's accountability expectations.	Accepted. By March 2007, the Department will work to develop a memorandum of understanding with the Forest Resource Improvement Association of Alberta to clarify expectations and reporting requirements. The agreement will also clarify the Department's role in the monitoring of the Forest Resource Improvement Association of Alberta in relation to specific programs administered by the Association.
Regional Health Authority Global Funding	
17. Defining goals and performance measures	
We recommend that the Department of Health and Wellness clarify the goals and performance measures for its Regional Health Authority Global Funding methodology.	Accepted in principle. Regional health authority funding allocation goals will be clearly articulated in written documentation and communicated to regional health authority Chief Executive Officers for feedback and discussion (by March 2007). Performance indicators for measuring how well the key goals are being achieved will also be set to the extent possible.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
18. Non-formula funding adjustments	
We recommend that the Department of Health and Wellness analyze the non-formula funding adjustments to ensure their consistency with the goals of Global Funding. Issues arising from this analysis should be resolved.	Accepted. The Department will analyze and document, on an annual basis, all non-formula funding adjustments to ensure their consistency with the objectives of Global Funding.
19. Data improvement	
We again recommend that the Department of Health and Wellness continue to improve the data used in the Regional Health Authority Global Funding calculations. (1997-1998 – No. 27)	Accepted. The Department will continue its ongoing efforts to ensure the quality and timeliness of data used in the regional health authority funding allocation methodology.
20. Funding communications	
We recommend that the Department of Health and Wellness improve the timeliness of its funding communications to the regional health authorities.	Accepted in principle. When possible, regional health authorities will be informed of their preliminary or actual budget allocation in sufficient time to allow for the finalization of their annual health plans.
21. Coordination of capital and operating decisions	
We recommend that the Department of Health and Wellness ensure that capital and operating funding decisions for regional health authorities are coordinated.	Accepted in principle. It is recognized that health infrastructure projects have significant implications for the operational funding requirements of health regions. Health and Wellness will work with regions to develop a policy framework for ensuring that adequate operational resources will be available for new facilities.
Cross-Ministry	
22. IT project management	
We recommend that the Deputy Minister of Restructuring and Government Efficiency provide guidance to Deputy Ministers and their Chief Information Officers on their responsibilities for overseeing information technology projects.	Accepted. Restructuring and Government Efficiency introduced these recommendations to the Chief Information Officers (CIO) Council in July 2006, from which a CIO sub-committee was established to define and direct efforts necessary to ensure clarification and recognition of project sponsors' responsibilities for information technology project management. The sub-committee will meet and an action plan will be established to ensure awareness of the Auditor General recommendations and to develop roles and responsibilities of each ministry.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Advanced Education	
23. Effective monitoring of employers providing apprenticeship training	
We recommend that the Department of Advanced Education improve its monitoring of employers providing apprenticeship training by: 1. Improving the accuracy of its information on active employers; 2. Ensuring that its records of the visits by its staff to employers are available to its field staff and management; and 3. Improving its performance evaluation of staff carrying out these visits.	Accepted. The Department will ensure that its processes relating to the employer visits are improved by March 2007, including making field staff aware of past compliance issues at worksites and providing them with information about employers with the potential for training opportunities. The Department will also review criteria for evaluating field staff performance in relation to the achievement of program goals.
Agriculture, Food and Rural Development	
24. Verifying eligibility for Farm Fuel Benefit program	
We recommend that the Department of Agriculture, Food and Rural Development improve its administration of the Alberta Farm Fuel Benefit program by: • Verifying information on completed program application forms; and • Requiring applicants to regularly renew their registration in the program.	Accepted. Plans and processes are well underway for a renewal that will commence in 2006. It is anticipated that the renewal process will be continuous, with one-third of the registrants renewing their eligibility each year. A new partnership arrangement between the Department and the Agriculture Financial Services Corporation (AFSC) will involve AFSC in the renewal process. AFSC will be able to assist in the verification of applications by accessing information relating to the programs that they deliver such as the Canadian Agriculture Income Stabilization Program, production insurance and lending programs.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Education	
25. School board budget process	
We recommend that Alberta Education improve the school board budget process by: • Providing school boards as early as possible with the information needed to prepare their budgets (e.g. estimates of operating grant increases and new grant funding, and comments on financial condition evident from their latest audited financial statements); • Requiring school boards to use realistic assumptions for planned activities and their costs and to disclose key budget assumptions to their trustees and the Ministry; • Establishing a date for each school board to give the Ministry a trustee-approved revised budget based on actual enrolment and prior year actual results; and • Re-assessing when and how the Ministry should take action to prevent a school board from incurring an accumulated operating deficit.	Accepted in principle. Alberta Education is committed to working with representatives from school jurisdictions to ensure that school trustees and administrators are provided with comprehensive and timely information to enable them to make informed decisions that take into account local priorities and conditions while maintaining the integrity of provincial policies and priorities. The implications of the recommendations will be assessed in consultation with stakeholders. The Department will explore strategies to deal with the concerns identified to ensure implementation of effective and practical frameworks to enable informed decision making at a jurisdictional level.
26. Interim reporting - minimum standards and best practices	
We recommend that Alberta Education work with key stakeholder associations to set minimum standards for the financial monitoring information provided to school board trustees. We also recommend that Alberta Education work with key stakeholder associations to provide information to trustees about: • The characteristics of a strong budgetary control system; and • Best practices for fulfilling financial monitoring responsibilities.	Accepted. Alberta Education will assist key stakeholder associations to establish minimum standards for interim reporting to trustees and to provide information to trustees about the characteristics of a strong budgetary control system and best practices for fulfilling their financial monitoring responsibilities. We expect to exercise a leadership role, while respecting the autonomy and assigned responsibilities of jurisdictional authorities. Given the diversity of school jurisdictions and the potential impact of this recommendation on boards and their administration, implementing this recommendation will require extensive consultation with stakeholders.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Energy	
27. Assurance on well and production data	
We again recommend the Department of Energy: • Complete its risk assessment and evaluate the assurance obtained from the Petroleum Registry System and the Department's controls over well and production data; and • Communicate to the Alberta Energy and Utilities Board how much assurance, if any, the Department needs over the completeness and accuracy of well and production data. (2004-2005 – No. 28)	Accepted. The Department of Energy and the Alberta Energy and Utilities Board have formed two joint committees to identify the volumetric data elements and evaluate the potential risk of those data elements in the calculation of royalty. The Alberta Energy and Utilities Board will be advised of those data elements which are considered to have the highest risk to the accurate calculation of royalties. It should be noted, however, that in the Ministry's opinion, the calculation of royalty based on the production reported is in all respects materially accurate.
Environment	
28. Water well drilling	

We recommend that the Department of Environment improve its system to regulate water well drilling by:
• Ensuring that drillers and drilling companies meet approval requirements;
• Implementing controls to ensure that water well drilling reports are:
  • Received on time,
  • Complete and accurate, and
  • Accurately entered into the Groundwater Information System; and
• Obtaining assurance that water well drilling activities in the field meet legislated standards.
	Accepted. The Department will update and enhance its processes related to water well drilling.

29. Contaminated sites information system	
We again recommend that the Ministry of Environment implement an integrated information system to track contaminated sites in Alberta. (2002-2003 – No. 12)	Accepted in principle. During the next three years, the Department will implement a system related to contaminated sites.
Finance	
30. Supplementary Retirement Plans (SRPs)	
We recommend that the Department of Finance assess the annual and cumulative costs and risks associated with Supplementary Retirement Plans. Further, we recommend that the Department review the Treasury Board Directives to ensure that the amount disclosed as the total compensation of each senior executive includes Supplementary Retirement Plan benefits earned in the year.	Under review. Finance and Treasury Board are currently reviewing the recommendation and anticipate the review to be complete in 2007.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Health and Wellness	
31. 2005 Ministry annual report results analysis	
We recommend that the Ministry of Health and Wellness explain and quantify annually – in its annual report – key factors affecting health care costs.	Accepted. Information presented can be improved to enhance accountability for health care costs. Adequacy of information for reporting is subjective and there is a need to balance between high level and detailed information.
32. Performance measures	
We recommend that the Ministry of Health and Wellness link health costs to outputs for the Ministry as a whole – in its annual report.	Accepted. Health and Wellness is presently working on a proposed new reporting structure as part of the three-year health authorities' plan that will improve cost disclosure and facilitate the linking of output measures to costs. This reporting structure will take into account the need to be consistent and cost-effective in this accountability process.
33. Analysis of physician billing information	
We recommend that the Department of Health and Wellness strengthen its processes to analyze and investigate anomalies in physician billing information. (2000-2001 – No. 17)	Accepted in principle. Health and Wellness has taken steps to acquire better analytical tools and more professional staff to facilitate the analysis and investigation of physician billing information.
34. Information technology control environment	
We again recommend that the Department of Health and Wellness carry out a comprehensive risk assessment of its IT environment, and develop and implement an IT disaster recovery plan. (2001-2002 – No. 24)	Accepted in principle. Health and Wellness is currently carrying out a comprehensive risk assessment, in the order of business plan priorities, of all of its approximately 134 critical information systems. Health and Wellness will have a partial disaster recovery plan operating by the end of this fiscal year and a full plan will be in place in approximately three years.
Regional Health Authorities	
35. Capital Health: Accurate financial information	
We recommend that management of Capital Health provide its Audit and Finance Committee with complete and accurate financial information.	Accepted. To ensure that estimates are as refined as possible, management is documenting the reason and methodology for all significant estimates. This will be reviewed and approved by a senior person within Capital Health management. Capital Health is reviewing and, where appropriate, updating its policies and procedures.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
36. Calgary Health Region: Monitoring service provider compliance and performance	
We recommend that the Calgary Health Region monitor its contract service provider's performance using the service-level standards and reporting timelines that the Region and the contract service provider agreed to in May 2006.	Accepted. The Calgary Health Region is recruiting to fill five service manager positions to support the contract manager and to monitor service provider performance. The Calgary Health Region is presently working with its contract service provider to correct the deficiencies in services and reporting identified by the audit report.
Restructuring and Government Efficiency	
37. Physical security	
We recommend that the Ministry of Restructuring and Government Efficiency improve the environmental and security controls of the data centres it maintains.	Accepted. The Ministry has developed an evaluation template to be used to validate the security and environmental status of each ministry based server room in use across the Government of Alberta. Each server room will be assessed against this template and recommendations developed to bring each into security compliance.

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